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NEWS SUMMARY

GENERAL

Puerto Ricans hijack 3 airliners

Heavily armed Puerto Rican nationalists yesterday hijacked three Venezuelan airliners with 262 people aboard in Caracas and forced the pilots to fly to Barranquilla, on the Atlantic cost of Columbia.

The hijackers released 21 passengers, mostly women and children, and demanded fuel. Their destination was believed to be Havana.

In a separate incident a Libyan airline jetliner in flight from Paris to Tripoli was hijacked over Italy and ordered to fly to Beirut. The jetliner passed through Greek airspace but did not attempt to land.

Solidarity attack

The Polish Government has launched a propaganda offensive against the Solidarity union in what appears to be an attempt to blame the union for the negotiating deadlock. Page 2

Nato conditions

Greece's Socialist Government is expected to demand increased military aid and guarantees from its Nato partners today if they wan to allow Spain to join the alliance. Back Page

Backer named

Ireland's state-owned shipping concern Irish Shipping revealed it was proposing to run the Belfast to Liverpool ferry service axed last month. Back Page

Mortgage move

The Leeds Permanent Building Society is to abandon its system of differential mortgage rates. Page 9

Norwich appeal

Norwich was given leave to appeal in the High Court against Environment Secretary Michael Heseltine's intervention in the sale of the city's council houses.

Transport warning

Londoners would face fare increases of about 200 per cent if the cheap fares policy was outlawed, GLC leader Ken Livingstone warned.

Angola raid

South Africa said it destroyed the regional headquarters of the black nationalist movement Swapo during a raid deep into Angola last month. Page 4

Belgian failure

The attempt to form a Belgian government of "national unity" from the country's three main political parties has failed. Page 2

Plea for disabled

The Royal Institute for the Blind made a strong plea to the Government to keep the quota scheme for disabled employees. Page 8

Anti-crime drive

In response to a Granada television programme more than 500 ex-convicts have volunteered to tour schools in a bid to stop youngsters turning to crime.

Briefly . . .

The Welsh Rugby Union is cancelling a planned rugby tour of South Africa.

Lord Olivier, 74, is to film his life story for London Weekend Television.

A bomb was thrown into a U.S. army office near Kessel, West Germany, injuring two.

National Front supporter Richard Barnes was jailed for life for the murde of a woman.

BUSINESS

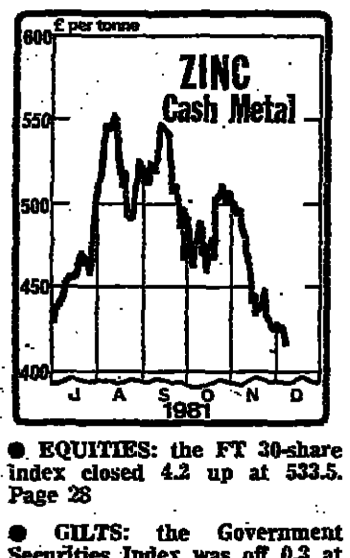
Equities up 4.2; Gold off $9

● STERLING closed at $1.936, a fall of 60 points from Friday's close. It rose to DM 4.3375 (DM 4.325), FFr 10.925 (FFr 10.9), Y421 (Y420.5) and SwFr 3.495 (SwFr 3.47). Its trade-weighted index was unchanged at 91.9. Page 21

● DOLLAR finished at DM 2.2395 (DM 2.226), SwFr 1.805 (SwFr 1.7875) and Y217.5 (Y216.4). Its trade-weighted index rose to 105.8 (105.5). Page 21

● GOLD fell $9 an ounce in London to $416.5. In New York the Comex December close was $416.7. Page 21

● ZINC lost £12.25 in the day's trading to finish at £415.5 a tonne. Page 27



● EQUITIES: the FT 30-share index closed 4.2 up at 533.5. Page 28

● GILTS: the Government Securities Index was off 0.3 at 64.31. Page 28

● WALL STREET was 4.85 down at 887.84 near the close. Page 26

● CHINA plans to tax foreign businesses operating there 20 per cent to 40 per cent of profits, plus 10 per cent. Back Page

● FRANCE is trying to persuade U.S. banks to resume lending to its State agencies by offering them higher rates than the U.S. prime rate. Page 22

● AUSTRALIAN metal trades unions signed the country's first pay and hours agreement containing a no-strike clause. Page 4

● THREE ECONOMISTS issued a plan to reflate the economy, provide more jobs and reduce inflation of the retail price index, without much extra public borrowing. Pages 8 & 17

● GOVERNMENT is to give itself the power to arbitrate between the British Gas Corporation and private suppliers in any dispute over use of Britain's gas pipeline network. Page 9

● TALBOT UK is to lay off for nine days 1,900 people making car kits for Iran at the company's Stoke, Coventry plant. Back Page

● STEELWORKERS want their national union leadership to declare a state of war on BSC which said it wanted to shed 20,000 more jobs. Back Page

● STANLEY GIBBONS, the stamp dealers and auctioneers, is for sale. Back Page

COMPANIES

● INITIAL SERVICES, the laundry and hire group, increased pre-tax profits to £11.01m (£8.93m) for the six months to September 30. Page 18

● LRC INTERNATIONAL, the home healthcare products group, boosted taxable profits for the first half of the year to £3.83m (£3.42m). Page 20

● GEO. BASSETT HOLDINGS, the confectionery company, improved pre-tax profits in the 28 weeks to October 16 to £1.14m (£141,000). Page 20

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Assed Dairies	128	+ 6
Bassett (Geo)	69	+ 12
Bulmer (H. P.)	300	+ 8
Edbro	77	+ 17
Electronic Machine	50	+ 6
European Ferries	78	+ 6½
Expanded Metal	57	+ 3
Fenner (J. H.)	160	+ 11
Ferranti	595	+ 12
Hawker Siddeley	326	+ 8
Highgate and Job	37	+ 9
Initial Services	243	+ 18
Intasun	101	+ 5
Lnd Ovs Freighters	41	+ 7
Mills and Allen	468	+ 18
Owen Owen	208	+ 11
Peters Stores	78	+ 8
Pleasurama	282	+ 24
Saatchi Saatchi	365	+ 17
Thorn EMI	463	+ 6
Westland Aircraft	114	+ 7
Anvil Pet	133	+ 9
Sceptre Res	565	+ 54
Tri Basin Res	132	+ 10
Warrior Res	65	+ 15
Ampol Exploration	206	+ 20
Ashton Mining	90	+ 7
Bridge Oil	280	+ 25
CSR	240	+ 14
Claremont Pet	82	+ 40
Cultus Pacific	19	+ 4
Meekatharra Mins	400	+ 40
Oil Co Australia	30	+ 5
Pelsart Res	25	+ 5
RTZ	470	+ 8
Santos	390	+ 40
Vamgas	650	+ 37
FALLS		
Treas 11½pc 01-04	£80¼	− ?
House of Fraser	155	− 6
Sotheby PB	420	− 23

Foot wins first battle against Labour's extreme left-wingers

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE LABOUR PARTY was last night plunged into a new internal battle after Mr Michael Foot, party leader, won the first round of his new fight against the hard left. The party's organisation committee decided by 12 votes to seven not to endorse Mr Peter Tatchell, an extreme left-wing candidate for Bermondsey, East London.

The decision was reached after three hours of discussions at a meeting described by one member as chaotic. Last night some of those who voted against Mr Tatchell's endorsement were saying that they had not realised what they had voted for, and that they would have preferred an inquiry as a way of defusing the issue.

The proposal will now have to go to next week's meeting of the full national executive committee where it is certain to be challenged by Mr Tony Benn and other left-wingers.

Given the confusion over last night's vote, the motion may not automatically go through. But moderates were jubilant about what they claimed represented a real turning point in the leadership of Mr Foot, who had seen Mr Tatchell earlier in the day. They were hopeful that he would now go on to lead a new campaign against extreme, non-democratic elements within the party. The far-left, however, was furious, claiming that Mr Foot had betrayed those who elected him.

Mr Foot last night seemed to be on a collision course with not only the Bermondsey party but large sections of the London Labour Party as well.

At a special meeting the Bermondsey Labour Party reaffirmed its support for Mr Tatchell. It said it would be appealing to next week's meeting of the NEC and that it would be contacting other constituency Labour parties in an attempt to make the case of Mr Tatchell a major constitutional issue.

If the NEC refuses Bermondsey's appeal, Mr Foot may then have to persuade it to disband that constituency party if he is to follow through the move against the hard left. The move would be bitterly resisted by other local parties, and would almost certainly result in months of highly publicised feuding within the Labour Party.

But in this round of the prolonged internal battle within the Labour Party, the far left looks much more isolated than before. At last night's meeting of the organisation committee, Mr Foot was strongly supported by members of the "soft left" like Mr Neil Kinnock as well as right-wingers like Mr Denis Healey and Mr John Goulding.

Mr Foot—who for months has infuriated Labour moderates by refusing to initiate any action against the far left—was finally driven to abandon his policy of conciliation by an article Mr Tatchell wrote in the Left-wing London Labour Briefing, calling for extra parliamentary action to bring down the Government.

Opening yesterday's meeting Mr Foot said he had told Mr Tatchell earlier in the day that he was "absolutely opposed to his endorsement." He said that SDP, which is hoping to fight a byelection in Bermondsey early next year when Mr Bob Mellish, the sitting Labour MP, retires, would "hang the article round our necks." He insisted it was a question of political judgment

Mr Eric Heffer, the chairman of the committee, tried to defuse the issue by calling for an urgent inquiry into Mr Tatchell's selection.

This was carried by 11 votes to nine

The proposal was, however, lost amid scenes of considerable confusion when another proposal—put forward by Mr John Goulding and seconded by Mr Denis Healey—opposing Mr Tatchell's endorsement altogether was carried by the bigger margin of 12 votes to seven.

Picture, Page 10

Electricity pension funds lose £80m on property

BY CHRISTINE MOIR

THE REPORTS and accounts of the Electricity Council's pension funds for the year to March 31 include a provision of £80m against the cumulative losses on property investments made in the 1970s.

Early last year the council sparked off scandal when it suspended the two investment managers of its pension funds and revealed it had sent the Fraud Squad a report on their investments in Westmoreland Investments, a private property company.

The two men were completely cleared of improper behaviour. A full-scale investigation of all aspects of the £1.8bn pension funds, however, revealed serious management weaknesses.

Yesterday's documents reveal the full extent of the reconstruction, and the impact on the funds of tighter accounting procedures. Under these, full provisions were made for permanent write-downs in the values of certain property disasters.

Of the £80m total, Westmoreland Investments accounts for £37.1m. This is in addition to the £3.9m trading loss the property company made last year, taken above the line.

The Brighton Marina development, in which the funds have an interest, partly as a result of cross-holdings with Westmoreland, probably accounts for another £20m. No precise figure is revealed. Other properties, however, seem to have proved disastrous, leading to a further £23m or so of provisions.

In the aftermath of the Westmoreland débâcle the pension funds changed their property-investment management. Richard Ellis, who had acted as both valuer and estate agent, gave up the valuation role to Jones Lang Wootton, another surveying firm. Ellis's senior partner, who had acted as the property adviser, was replaced by a full-time property investment manager.

What was not revealed until yesterday is that the fund also changed its auditors. On the day after the 1980 balance-sheet was issued Peat Marwick Mitchell resigned in favour of Coopers and Lybrand.

The extent of the property problems must be seen in relation to the size of the two pension funds. The white-collar fund had a book-value of £943.5m at March 31, an increase of £162.8. Its market value, however, was £1.29bn. The smaller blue-collar fund showed a £75.5m increase in book-value to £393m, with a market of £526.4m.

ICL plans link with Sinclair

BY GUY DE JONQUIERES

ICL, BRITAIN's largest computer company, plans to link with Sinclair Research to develop jointly a sophisticated new telephone terminal.

The two companies are in advanced negotiations on the plan for the terminal to be made by ICL. It would embody a flat television-type display screen only 1 in deep developed by Sinclair, manufacturer of the fast-selling £70 ZX-81 personal computer.

ICL said yesterday that it also planned to manufacture and market a personal computer designed by RAIR, a small British company. The computer is intended for small businesses, a market in which ICL is not a major force.

ICL also announced the formal signing of its collaborative agreement with Fujitsu, the large Japanese electronics manufacturer. Fujitsu will supply semiconductor technology and microchips to ICL, which plans to market powerful Fujitsu computers in Europe.

Mr Christopher Laidlaw, ICL chairman, said the two companies would not seek financing for the deal from Japan's Export-Import Bank, which would have required ICL to provide guarantees of about £100m. But he would not say what other financial arrangements would be made.

The desktop terminal to be developed with Sinclair would have a built-in screen, about 12 inches across but only an inch or so deep. It could be used to display information relayed from a remote computer as well as for voice communications.

ICL plans to start producing the terminal in 1983, using screens supplied by Sinclair. It has not named a sales price, but expects it to be less than £500. It hopes that the terminal will replace ordinary telephone extensions in many offices.

The terminal is designed as an attachment to the electronic private exchange (PABX), made by Mitel of Canada, which ICL plans to market in Europe. Mitel may sell the terminal in North America.

Sinclair expects to start flat screen production in about six months' time at a plant in Dundee, Scotland, owned by the Timex watch company. Initial output of 1m screens annually is planned, rising to 3m by the end of next year.

ICL said it planned to start making and selling the RAIR personal computer early next year. The machine, which will come equipped with a large memory, is expected to sell for less than £6,000.

CONTENTS

For latest Share Index phone 01-246 8026

Revolt on spending curbs falters

By Peter Riddell, Political Editor

MR EDWARD HEATH and Sir Ian Gilmour are expected to lead criticisms from the Tory backbenches today against the Government's economic policies during a Commons debate on last week's public spending measures.

Tory critics are divided about how to vote, and the signs last night were that only about a dozen of the most diehard opponents of the Treasury strategy would abstain this evening.

Most of the "wets" appear to be against a general demonstration tonight, but instead they will warn the Government that their support is conditional on a change of policy by the spring Budget.

This group of between 20 and 30 MPs believes that abstention would achieve nothing and that a growing number of potential critics might be put off on grounds of party loyalty if they associated on almost every issue with the smaller group of hardened and persistent critics of the Government.

There is some surprise about one or two of the previous loyalists who are considering abstaining. Some MPs have apparently been impressed by criticisms of the Government's policy over the weekend in their constituencies.

The view of many of the "wets" is expressed in an article in The Times today by Mr Chris Patten, MP for Bath. He intends to support the Government tonight but to vote against the proposed savings on unemployment and supplementary benefit when they come before the Commons next year.

He lays particular emphasis on the Budget when, like many other Tory MPs, he hopes for some reflation and help for industry.

The view of this group is that it is better for the Conservative Party's prospects at the next election to change course now, rather than to widen divisions and weaken the Government.

While Mr Heath is likely to limit his remarks to a critical speech, his first in the current session, Sir Ian Gilmour is believed to be considering abstention.

The Labour Party attack is expected to try to appeal to disillusioned Tories, though none is likely to go into the Opposition lobby. For the Social Democrats Mrs Shirley Williams is expected to make her first speech since returning to the Commons last week.

Alternative economic policy, Page 17

Wholesale price rise smallest for months

BY DAVID MARSH

THE GOVERNMENT yesterday announced the first encouraging inflation news for several months. Official figures showed that wholesale prices increased in November by the smallest amount since the summer. Prices of industry's fuel and raw material purchases even fell thanks to the buoyant performance of sterling.

If the pound maintains its present strength for the rest of the month, Whitehall officials predict a further fall in industry's input prices in December. The close link between the exchange rate and industrial price rises underlines why the Government is keeping interest rates and the pound firm.

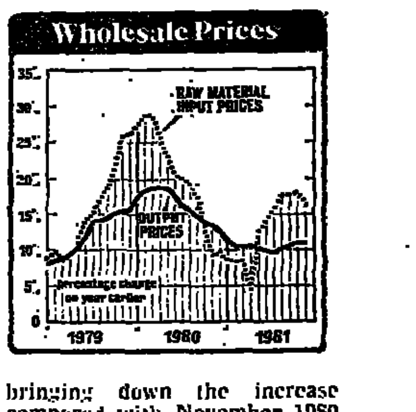
The figures, published by the Department of Industry, show that prices of manufactured products sold in the UK last month rose by 0.6 per cent, the smallest increase since July. This took the index for output prices to 229.1 (1975 = 100), a year-on-year increase of 11.1 per cent, barely changed compared with 11 per cent in October.

The Government has little chance of achieving its objective of single-figure retail price inflation unless it can first bring down the annual rate of wholesale price increases under 10 per cent—a level last reached in July.

Prices of raw materials and fuel purchased by manufacturing industry fell 0.6 per cent in November compared with October, following several months of sharp increases.

The decline was caused by the rise of sterling against the dollar which more than offset higher prices for coal and electricity and a higher dollar price for crude oil.

The input price index dropped to 236.8 (1975=100), bringing down the increase compared with November 1980 to 16.4 per cent from 18.3 per cent in October. This was the first fall in the year-on-year rate since February, when the annual increase was only 8.3 per cent.



Over the past six months, manufacturers' output prices have increased by 4.5 per cent, equivalent to an annual rate of 9.2 per cent. Last month's rise was mainly due to higher prices for food and petroleum products.

● Retail sales in October were higher than originally estimated, according to revised figures from the Department of Trade published yesterday. They show that the volume of spending in the shops rose by a seasonally-adjusted 1.4 per cent compared with September, nearly double the original estimate of a 0.8 per cent rise made last month.

The figures indicate that retail activity has been highly uneven this year. But with sales up 2 per cent in the first 10 months of the year, trade has not been affected as badly by the recession as was first thought.

U.S. accounting changes

BY DAVID LASCELLES IN NEW YORK

NEW ACCOUNTING procedures which should eliminate much of the impact of foreign currency fluctuations on U.S. multinationals' profits and transfer the main impact to the shareholders' funds element in the balance sheet have been laid down for the U.S. accounting profession.

The new procedures are designed to meet some of the bitter criticism from company executives who have argued that previous accounting standards have distorted their profit figures.

For example, one company which has complained about the existing procedures is the Royal Dutch/Shell Group. Of the £869m slump in net income to £920m for the first nine months of 1981, as much as £755m resulted from the impact of currency fluctuations. Under the new standard, the effect would probably be far less.

The new procedures, which could influence the way other countries cope with this problem, come in a new rule put together after two years of exhaustive consultation by the Financial Accounting Standards Board (FASB), a non-governmental body that lays down procedures for U.S. accountants.

Known as "Standard 52," it replaces the controversial

Continued on Back Page

Lex, Back Page

EUROPEAN NEWS

GOVERNMENT BLAMES TALKS DEADLOCK ON UNION

Strong attack launched on Solidarity

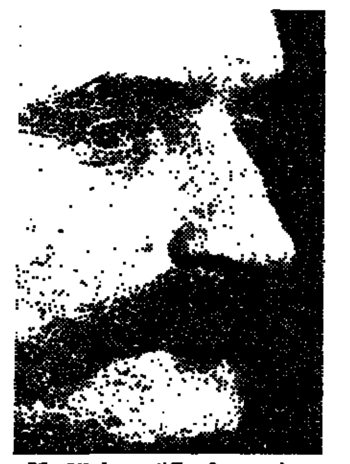
BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH Government has launched a propaganda offensive against the Solidarity union. The aim appears to be to place on the union all the blame for the negotiating deadlock and to show that the union is out to overthrow the socialist system.

State radio yesterday broadcast remarks tape-recorded at a closed meeting of the Solidarity leadership in Radom last week. It quoted Mr Lech Walesa, the union's leader, saying: "Confrontation is inevitable and confrontation will take place."

He also said he had not trusted the authorities since the suppression of the workers' revolt in 1970 and added that he had been mistaken to take a moderate line.

"Let us abandon all illusions. They have been thumbing their noses at us



Mr Walesa: "Confrontation is inevitable"

Solidarity yesterday confirmed the authenticity of the recordings, but Mr Mark Brunne, the national spokesman, denied charges that the union was not interested in reaching agreement with the Government. "It's all been twisted for propaganda purposes," he claimed.

Other members of the union leadership at the meeting called for a provisional government—guaranteeing the Soviet Union's security interests in Poland—which would prepare for free elections.

The authorities made great play on radio and in the Press with Mr Walesa's statement that confrontation was "unavoidable" and with suggestions by other leaders that the union should prepare itself to take power. The official strategy evidently is to represent the union leaders as dangerously adventurist and to hope that they will lose popular support. There is the possibility, however, that such extremist sentiments may be approved by the union's rank and file.

Meanwhile, Parliament has still not started work on a Special Measures Bill which the Communist Party leadership wants to introduce, and talk of which explains much of Solidarity's present nervousness.

A meeting of delegates from the 1m-strong Warsaw branch of the union declared at the weekend that if the Government continues to refuse to make concessions within two months then the union should organise a referendum on whether to hold a general election.

● Leaders of Poland's striking students have called off sit-ins in more than 70 universities. Some 15 per cent of the country's students have been protesting for up to three weeks over the allegedly undemocratic election of the rector at an engineering college in Radom. Talks in that city have been making progress and the decision to suspend the protest action came as the students' determination was dropping.

Austria suspends 'no-visa' entry for Poles

BY PAUL LENDVAI IN VIENNA

AUSTRIA yesterday suspended for six months an agreement under which Poles are allowed to enter the country without visas. The action, suspending an agreement signed between Poland and Austria in 1972, is an attempt to stem the flood of refugees.

Chancellor Bruno Kreisky, currently touring the Gulf states, said that Austria would continue to welcome genuine refugees suffering political, racial or national persecution. However, the 26,367 Poles who applied to live in Austria between January and November this year were "ordinary emigrants not subject to political danger" and that most of them had tried to move on to other countries.

An official statement revealed that 22,165 Poles who applied for political asylum are still registered here. Furthermore, a large but unknown number were living in Austria elsewhere than in camps and hostels provided by the state. It is estimated that there may be more than 50,000 Poles in the country.

The influx has seriously embarrassed Dr Kreisky's socialist Government for several reasons, most importantly the heavy cost of providing food and accommodation. This has reached Sch 600m (£20m) so far this year and could reach Sch 800m.

Growing popular rensentment of the Poles, many of whom arrive here by car, and outbursts in the Press provide the domestic background to the Government's decision. Dr Kreisky, however, made clear his Government's deep disappointment at the indifference of larger Western states which profess sympathy for the Polish cause but refuse to help.

Many Poles living on temporary permits or illegally in Austria also accept much lower wages for casual work, thus upsetting some of the unions

Nevertheless, many Austrians are unhappy that the decision to suspend free entry for the Poles may tarnish their country's reputation as a haven for refugees from Eastern Europe.

Irish told living standards must decline

By Brendan Keenan in Dublin

IRISH living standards will have to fall by about 10 per cent if the country's finances are to be restored, the Prime Minister, Dr Garret FitzGerald, has warned. He said people in the middle income group would be particularly affected.

Dr FitzGerald, in a general review of the economy, said Ireland onw had to export 15 per cent more goods than in 1978 to buy the same amount of imports.

Spanish warning about manifesto

BY ROBERT GRAHAM IN MADRID

A PROCLAMATION from Spain's joint chiefs of staff was read yesterday in all armed forces' barracks calling on them to refrain from any action that might detract from their pledge to respect the Government and observe the constitution, or from their loyalty to the King.

They took the step following the publication on Sunday of a manifesto signed by 100 junior officers and NCOs which attacked the Press for its treatment of the armed forces and expressed sympathy for those officers arrested for their part in the abortive coup last February.

The joint chiefs of staff described the manifesto as "an inadmissable act of indiscipline." Those responsible have been confined to barracks for 14 days and may be prosecuted.

The quick response by military leaders underlines their sensitivity to a groundswell of sympathy among the junior officer corps for those involved in the coup attempt. Publication of the manifesto, coinciding with celebrations to mark the third anniversary of the constitution, is seen here as part of a continuing war of nerves between the civilian and military authorities in the run-up to the trial of the coup plotters.

All those who signed the manifesto are serving in the Madrid military region, many of them from the crack Brunete armoured division — the unit which would be needed to intervene in the capital in the event of an attempted coup.

Treatment of Sakharov 'callous' says Britain

By Anthony Robinson

The Foreign Office yesterday added its voice to the swelling chorus of international protest which has followed the detention and enforced hospitalisation of Dr Andrei Sakharov, the Soviet dissident and Nobel Prize winner.

In a toughly-worded statement the Foreign Office said: "The treatment of Dr Sakharov demonstrates the callous disregard of the Soviet Government for the commitments which they undertook in signing the Helsinki Final Act. It also undermines confidence in the Conference on Security and Co-operation in Europe."

Dr Sakharov and his wife, Elena Bonner, began a hunger strike two weeks ago in an attempt to pursuade the Soviet authorities to allow their step-daughter-in-law, Liza Alexeyeva, to join her husband, whom she married by proxy in the U.S.

"The British Government have been deeply disturbed by the news that the Soviet authorities have placed Dr and Mrs Sakharov under compulsory medical care and that Ms Alexeyeva has been prevented from visiting them," the Foreign Office note added.

Mr Viktor Popov, the Soviet Ambassador, is expected to face strong criticism of Soviet treatment of the Sakharovs when he addresses Tory backbenchers in the House of Commons today.

Meanwhile, the Soviet authorities have maintained a news blackout on the medical state of the couple, who have been living in the provincial town of Gorkiy since their internal exile there nearly two years ago. The Sakharovs were taken to hospital against their will last Friday.

Ms Alexeyeva told journalists in Moscow that Soviet emigration authorities had summoned her to a meeting today. Until now the authorities had refused to recognise the validity of the proxy marriage and say Ms Alexeyeva's parents are opposed to her leaving

In a previous letter, Dr Sakharov said that the hunger strike was "a fight for the right of everyone to go and come from this country freely."

Bid to form three-party Belgian coalition fails

BY LARRY KLINGER IN BRUSSELS

THE ATTEMPT to form a Belgian "government of national unity" from the country's three main political parties failed yesterday, adding to fears that the month-old national political crisis may drag on until after the New Year.

Mr Charles Ferdinand Nothomb, Foreign Minister in the outgoing Government, was unable to win concrete support from any of the country's three main political "families" — his own centrist Christian Democrats, the conservative Liberals, and the Socialists, each of which are divided into Flemish and French-speaking wings.

After reporting to King Baudouin, he was expected last night to say whether he would try to form a government along different lines.

Mr Nothomb may attempt to form a two-party coalition between the Christian Democrats and the Liberals. Both parties agree to a large extent on the need for wide-ranging economic austerity measures to curb public spending and boost industry's competivity on world markets.

However, Mr Willy de Clercq, the Flemish Liberal Party leader and King Baudouin's original choice to form a government following last month's general election, failed in just such an attempt after week-long talks.

The country has been beset by a depening political and economic crisis since early autumn, when quarrels over economic policy forced the Christian Democrat-Socialist coalition led by Mr Mark Eyskens to call the general election.

The November 8 poll, however, left each of the main parties with roughly equal parliamentary power but with the strengthened Liberals and Socialists even further apart on economic policy, and the traditionally dominant but weakened Christian Democrats hamstrung by serious internal divisions.

Meanwhile, the economic situation continues to deteriorate, with the outgoing coalition staying on in a caretaker role but unable to take longer-term policy decisions.

Latest figures suggest that the trade deficit may be worsening by up to BFr 5bn (about £68m) each week, while the public sector's net total borrowing needs for this year are now conservatively estimated at BFr 530bn, or about 14.5 per cent of gross national product.

The projected 1982 national budget deficit estimate is being revised upwards to BFr 300bn, despite agreement by the outgoing Government after months of wrangling on measures aimed at a BFr 200bn limit.

Credit controls rejected by Dutch bank

By Charles Batchelor in Amsterdam

THE DUTCH Central Bank said it will not reintroduce credit controls in 1982 though it will keep a closer watch on the volume of bank lending to the Government. Limits on the extent of bank credits were introduced in 1977 but were suspended temporarily in July.

The depressed state of the Dutch economy and high interest rates have reduced demand for funds from industry and the private borrower and made the control superfluous. In the first half of this year the banks were limited to a 6 per cent increase in lending levels compared with 1979.

The banks will, however, still be required to report details of their lending to the Central Bank to enable it to respond to any sudden developments on the credit market. The lending institutions will also be required to give more information about how much credit they extend to the central government and local authorities.

The Central Bank has agreed with the Finance Ministry that the issue of treasury bills will be cut sharply next year and phased out in 1983.

Commission cracks down on Italian steelworks aid

BY GILES MERRITT IN BRUSSELS

AS PART OF its crackdown on EEC member states' aid to steelmakers, the European Commission has moved to ensure that Italy's controversial "Bresciani" independent steel companies should not benefit from a \$1bn (£526m) electricity subsidy scheme.

The Brussels authorities have given the Italian Government one month to justify the subsidies, which would be of considerable benefit to the independence of the Brescia region of northern Italy.

The subsidies, announced by Rome last September, also apply to state-controlled producers in the Italsider group, but are particularly welcome to the profitable electric arc furnace operations of the Bresciani.

The Brescia region companies have a total steel-making capacity of about 10m tonnes a year, and have stood out against the background of Europe's loss-making steel industry by producing such products as reinforcing bars, wire rod, and merchant bars at a profit.

The European Commission action on Italy's steel subsidies, in addition to the electricity aids, threatens a further \$1.2bn (£620m) worth of financial guarantees and capital increases for state-owned Italsider. The action is part of Brussels' overall campaign to limit national steel aids.

During 1981, a Commission official indicated yesterday, EEC member states, except Ireland, Greece and the Netherlands, have been the object of Commission procedures designed to ensure that Community governments do not overstep the guidelines of the one-year-old steel aids code.

The Belgian and French governments have found themselves recently the targets of Commission procedures. Belgium, because of the slowness in restructuring of state-controlled Cockerill-Sambre, is threatened with legal action through the European Court of Justice in Luxembourg. France's failure to notify Brussels of various aids could result in the matter being raised by the Commission before the EEC Council of Ministers.

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EUROPEAN NEWS

Scant hope of clear majority in Danish poll

BY HILARY BARNES IN COPENHAGEN

DANISH POLITICIANS expect a period of difficult and complex negotiations to follow today's general election before a Government can be formed with the backing of a stable majority in the 179-seat Parliament. Ten of the 13 parties contesting the election are likely to win seats.

Opinion polls point to a marked setback for the ruling Social Democratic Party and gains for the Conservatives and the Socialist People's Party. However, there probably will be no clear majority for either of the two potential Governments—a continued minority social Democratic administration or a minority coalition of Liberals and Conservatives.

The small Radical Party is expected to occupy a key position in the new Parliament. Mr Niels Helweg Petersen, its leader, has said he will not support either a Social Democratic administration which relies on the support of the Socialist People's Party, or the Liberal-Conservative alternative.

The election was called three weeks ago by Prime Minister Anker Joergensen, when Parliament refused to support his economic programme and, in particular, a scheme for channelling money from pension funds and insurance companies into industrial investment.

The Liberal and Conservative parties have campaigned on a joint economic policy calling for cuts in public spending, including a 10 per cent reduction in unemployment benefits, and the introduction of prescription charges. The spending cuts would be combined with lower business taxation. The Socialists have accused the two parties of planning the destruction of the welfare state.

● A peace demonstration brought about 40,000 people on the streets of Copenhagen on Saturday. But a public opinion poll indicated that popular support for the North Atlantic Treaty Organisation is stronger than at any time since 1957. Some 59 per cent supported Denmark's membership of the alliance, 18 per cent were against and there were 23 per cent "don't knows."

● Denmark's third-quarter balance-of-payments deficit deteriorated slightly compared with the same period last year. But the figure for first nine months of the year showed a marked improvement on 1980.

The third quarter deficit was DKr 1.99bn (£143m) with DKr 1.44bn (£103m) a year earlier. For the first nine months the deficit was DKr 7.95bn (£573m) compared with DKr 10.44bn (£750m) for the same period in 1980. For the first time in two decades there was a substantial surplus on the balance of trade in goods and services and the deficit in the first three quarters was due entirely to net interest payments of DKr 9.6bn and other transfer items of DKr 2.2bn.

Unemployment in September totalled 239,400, or 8.6 per cent compared with 6.9 per cent in September last year.

Balsemao re-elected leader of party

By Diana Smith in Lisbon

THE PORTUGUESE Prime Minister, Sr Francisco Pinto Balsemao, has been reconfirmed as leader of the Social Democrat Party by a comfortable majority of delegates at the party's national congress.

The meeting was held on an emotive date — the first anniversary of the death of Sr Francisco Sa Carneiro, the former Premier, Social Democrat leader and architect of the loosely-linked ruling coalition of Social Democrats, Christian Democrats and Monarchists.

Thanks to energetic work behind the scenes before the congress, the vociferous, rightward-leaning dissidents who made Sr Balsemao's life difficult earlier this year remained fairly quiet during the sessions. This allowed the Prime Minister and his supporters to tackle more important issues like the continuing drought that has put paid to an estimated 50 per cent of next year's grain harvest, and next year's urgently-needed constitutional review, which should help Portugal prepare for entry to the European Community in 1984.

These preparations will be discussed in London this week by Mrs Margaret Thatcher, the British Prime Minister, and Sr Balsemao during the latter's brief visit.

N-sites proposed in W. Germany

BY KEVIN DONE IN FRANKFURT

WEST GERMAN electricity utilities have suggested two new sites in the state of Hesse for the country's first nuclear reprocessing plant. DWK, the utilities' joint venture reprocessing company, is seeking to build a 350 tonnes-a-year plant at one of two sites in north-west Hesse, Merenberg or Wangershausen.

Construction could not begin before 1984/85 at the earliest given the lengthy regulatory procedures that must be completed. The plant is likely to take up to nine years to build and is not expected to be in operation before 1993/94. The cost is put at a minimum of DM 4bn at current prices and some 1,600 jobs will be created.

The Hesse government is expected to reach a decision on the two sites by next spring, but whichever is chosen, the project is certain to meet deep-seated opposition from the country's well-established anti-nuclear lobby.

Environmentalist groups are already leading a bitter fight against other large building projects in the state, such as a third runway at Frankfurt's international airport. They are also opposing the building of further nuclear power stations in Hesse.

DWK wants sites for at least two reprocessing plants in West Germany following the authorities' failure in 1979 to push through plans for integrated reprocessing and nuclear waste storage facilities; at Gorleben in Lower Saxony.

Besides Hesse, DWK is also seeking to build a plant at Schwandorf in Bavaria, which eventually could have a capacity of 700 tonnes.

West Germany's reprocessing contracts with France are due to run out in the mid-1980s and DWK has also been pursuing preliminary discussions with Allied General Nuclear Services of the U.S. with a view possibly to sharing its nuclear reprocessing plant at Barnwell, South Carolina.

According to Herr Gunther Scheuten, chief executive of DWK, as much as 14,000-15,000 tonnes of radioactive spent fuel would be produced from West German nuclear plants by the year 2000, if the total installed nuclear capacity has grown by then to around 35,000 MW.

David Satter, in Moscow, examines the Politburo's taste in forbidden Western films

Secret cinema reveals Kremlin 'double-think'

THE SOVIET state film organisation, Goskino, illegally duplicates Western films, including pornographic films, and makes the copies available for closed screenings attended by high Soviet officials, two Soviet projectionists said recently.

Mrs Nadezhda Pankova, a projectionist at Goskino, and her husband Nikolai, who worked there until recently, testified in court that Soviet leaders, beginning with members of the ruling Soviet Politburo, are regularly entertained with a wide variety of Western films, including pornographic films which it is forbidded to import.

The Pankovs made their statements during a hearing in late October at a Soviet People's Court in Domodedovo, near Moscow, which considered their petition to be restored to posts at Goskino, from which they were removed in July in a staff reduction.

Although the court restored Mrs Pankova to her position, she has been barred at the gate from entering Goskino.

Goskino has declined to comment on the Pankovs' statements, which provide a rare inside look at the cultural values of the Soviet leadership.

Although Soviet leaders are well informed about the personal lives and attitudes of their counterparts in the West, almost nothing is known in the West about the intellectual atmosphere within the Soviet ruling elite.

The Soviet leaders' attitude to films as described by the Pankovs displays the classic signs of what is sometimes called "dual consciousness," or, more simply, "double-think"—the ritual repetition of formal propaganda which has no relation to genuine beliefs.

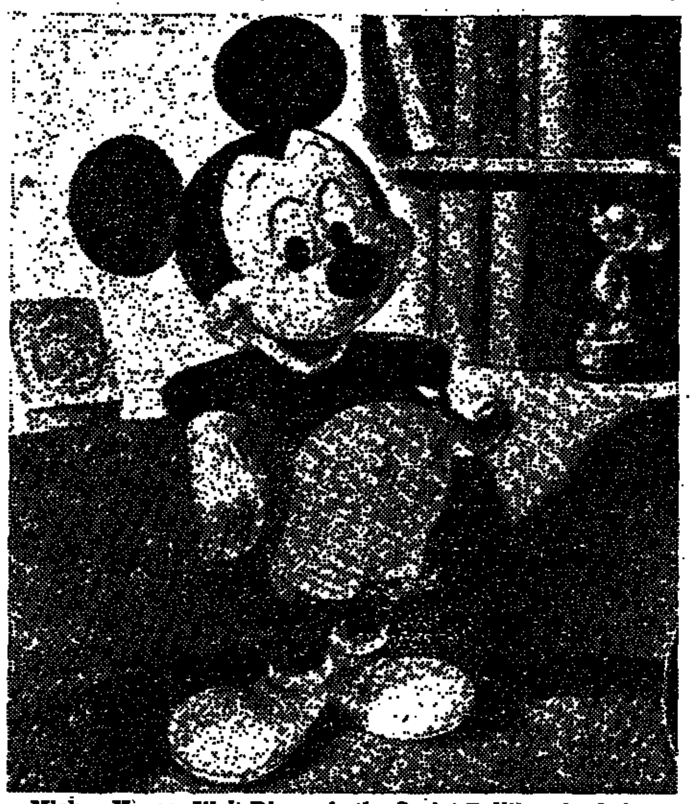
Although Soviet leaders publicly extol Soviet culture and limit Soviet audiences mainly to Soviet films which have no erotic content, they display virtually no interest in Soviet films themselves. The leaders entertain themselves almost exclusively with Western films provided by the "special department" at Goskino, where the Pankovs have worked as projectionists since 1975.

The most popular films for members of the Soviet leadership, according to film logs at Goskino, are pornographic films, adventures, such as James Bond or karate films and films which have been denounced in the Soviet press for anti-Communist content.

At the same time as a Soviet delegation was walking out in protest at the International Film Festival in Cannes in 1980 over the showing of The Deer Hunter, a U.S. film about the war in Vietnam, the same film enjoyed wide popularity in closed screenings for Soviet leaders.

The Pankovs said that Western films for the Soviet leadership are obtained through the illegal duplication of films sent free to Goskino as "samples," the transfer of films bought by the Soviet Union's East European allies and, in the case of pornographic or anti-Soviet films, through unknown means.

The Pankovs said that after the distributors' sample of a Western film is received at Goskino, it is viewed intensively by Soviet leaders, with members of the Soviet Politburo enjoying undisputed first access. The sample of a popular U.S. film such as Airport or The Towering Inferno may then be returned in tatters with the explanation that it presented no interest for a Soviet audience.



Mickey Mouse: Walt Disney is the Soviet Politburo's choice.

A sample form a Western distributor or a film obtained from a third country is reproduced at Goskino and the copy continues to be shown there or in the private homes of Soviet leaders for months after the sample has been returned.

The Soviet leaders' preference for the products of Western mass culture was even demonstrated during the judging for the Lenin Prize for the best Soviet film in October, 1980.

People, who had gathered for a series of receptions in the evening to honour the Lenin Prize winner were entertained not with products of the Soviet film industry, but with Western films.

The Pankovs said that delegates to the 26th Congress of the Soviet Communist Party in February, who listened to speeches about Lenin and the party during the day, were entertained in the evening with Dirty Harry and the Cassandra Crossing, two U.S. films, and with Natural Size, a French-Italian film about a dentist who takes a life-sized rubber doll as his mistress.

After interest in an illegally duplicated Western film is exhausted, the Pankovs said that it is transferred from the "special department" at Goskino to the film library at Belie Stolby, 50 km from Moscow.

The Goskino archive contains an exhaustive catalogue of Western films including a complete set of Walt Disney films which Walt Disney specifically forbade to be sold to the Soviet Union.

The pornographic and anti-Soviet films, which it is forbidden to import, are regarded as belonging to a special category and are kept in a safe.

Among the films stored in the safe recently — apparently the films which the Soviet leaders are least anxious to be known to be seeing — were The Deer Hunter, Sweet Film, an anti-Communist film with pornographic sequences, and a documentary about the Pope's visit to Poland.

Swedish paper's claim over Soviet sub

STOCKHOLM — The Soviet submarine that went aground in Swedish waters last October was on the surface for three or four hours before it struck rocks off a naval base, according to a defence staff report quoted in Svenska Dagbladet, a national daily newspaper.

The allegedly nuclear-armed Soviet submarine 137 ran aground in a restricted area near the Karlskrona naval base on the Baltic, 300 miles south of Stockholm.

The newspaper said the defence staff report has been kept secret by the Foreign Ministry. AP

OVERSEAS NEWS

South Africa admits Angola raid

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICAN forces destroyed a regional headquarters and military command post of the black nationalist movement, Swapo, during a three-week raid deep into Angola last month, the Defence Force announced yesterday.

The raid is the furthest reported advance across the Namibia-Angola border since South African troops reached the outskirts of Luanda during the post-independence civil war in 1975. The bases, at Chitequeta, are about 150 miles inside Angola near the town of Menongue (formerly Serpo Pinto).

A Defence Force spokesman said that news of the incursion had not been released earlier "for various internal reasons." He refused to elaborate.

For the first time South African journalists were allowed to witness parts of the operation. Their reports, approved by the authorities, appeared yesterday.

According to the Defence Force, the attack began on November 1. Two days earlier, the Angolan news agency claimed that a large South African force had crossed the border, but the report was denied in Pretoria.

The Defence Force spokesman claimed that the shooting down of a MiG fighter by the South African Air Force on November 6 was unrelated to the attack on Chitequeta, code-named Operation Daisy. "They were hundreds of miles from each other," he said.

Seventy-one Swapo guerrillas and four South Africans were killed during Operation Daisy, according to the South Africans. That compared with roughly 1,000 fatalities during Operation Protea four months ago when the South Africans attacked another Swapo base at Xangongo, to the west of the latest incursion.

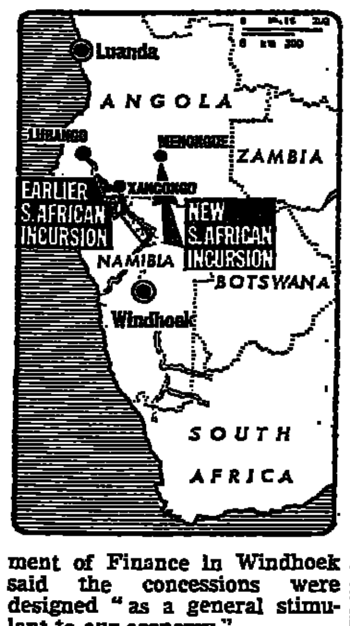
"You can't compare the two operations. Operation Daisy was much smaller," the Defence Force spokesman said. He refused to disclose how many men had taken part, but said that the troops involved had returned to their bases in Namibia.

In contrast to Operation Protea when several Russian advisers were killed or captured by the South Africans, no contact was made with the Angolan armed forces or Cuban or Russian advisers during Operation Daisy.

● Significant tax concessions to companies and individuals are to be introduced in Namibia in an effort to boost private sector investment and attract skilled manpower to the territory.

Despite a large budget deficit, the maximum marginal tax rate for individuals has been cut from 50 per cent to 39 per cent. Companies are to be allowed to depreciate business assets in the year of purchase.

A senior official of the Department of Finance in Windhoek said the concessions were designed "as a general stimulant to our economy."



Defence Force inquiry into Seychelles coup

BY OUR JOHANNESBURG CORRESPONDENT

SOUTH AFRICA'S Defence Force has launched an investigation into allegations that some of its members took part in the coup attempt in the Seychelles islands 10 days ago.

The appointment of a board of inquiry is further evidence that the authorities in Pretoria are having second thoughts about their handling of the affair, including the release last week of 39 of 44 mercenaries who took part in the plot and the subsequent hijacking of an Air India airliner from the Seychelles to Durban.

Earlier, Mr Kobie Coetsee, Minister of Justice, said that charges might yet be brought against the 39 freed men. It would be surprising, however, if any of them actually stand trial. Some were discharged within two days of the hijacking.

Meanwhile, it is reported that one of the men arrested in the Seychelles in connection with the coup attempt was a well-known member of the South African National Intelligence Service, formerly the Bureau of State Security (Boss).

President Albert Rene of the Seychelles alleged over the weekend that the man, Mr Martin Dolinchek, was a South African security policeman. According to the Star newspaper, Mr Dolinchek lived in Durban under the name Martin Donaldson. A spokesman for the National Intelligence Service confirmed that Mr Donaldson had worked for the organisation up to two months ago.

A number of links have been established between the mercenary force and South African military and police units. The mercenary who died in a gun-battle at Seychelles airport was a former member of a crack South African parachute battalion. Another member of the group is due to be decorated soon for acts of bravery while serving as a lieutenant in the South African army.

In Salisbury, Mr Robert Mugabe, the Zimbabwean Prime Minister, described the coup attempt as proof that the South African Government was "a rabid racist regime gone wild."

AP adds from Victoria, Seychelles: Mr Donaldson, presented to the Press yesterday, said he had taken leave from South African intelligence on November 5 to December 17 to take part in the coup.

Asked how the coup plot was expected to unfold, he said: "I would say it was basically to overthrow the government of President Rene and install Mr Mancham (the former President).

"A new government would be flown in from Kenya. The Kenyan Government agreed to sponsor—to provide two airplanes which would fly Kenyan soldiers and policemen to replace Tanzanian troops which were believed to be in this country. . . Col Mike Hoare said the whole thing would be a pushover."

Iraqi defeat reported in Khuzestan

By Patrick Cockburn

IRAN HAS inflicted a serious defeat on Iraqi forces in the southern Iranian oil province of Khuzestan but its own forces have also suffered heavy casualties, according to Western diplomats.

The Iranian attack, launched on November 29, was led by Revolutionary Guard units and succeeded in taking the town of Bostan, close to the Iraqi border. The front line is now said to rest on a small river just north of the village of Hoveyzeh. The Iranian high command claims that the offensive has split the Iraqi forces in Khuzestan.

Diplomats estimate the Revolutionary Guards suffered casualties of 1,000 dead and 3,000 wounded. The Iraqis are believed to have suffered about 1,000 dead, and the Iranians claim they have taken 1,300 prisoners. But the Iraqis admit to less than 300 dead and say that their troops are counter attacking fiercely.

The Iraqi army, which relies more heavily than the Iranians on its mechanised units and tank brigades, is now being impeded by rainfall and marshy conditions.

Libya 'opposing Tunisia oil bid'

ABU DHABI—Tunisia's application to join the organisation of Arab Petroleum Exporting Countries (OAPEC) is reportedly being opposed by Libya.

Kuwait sponsored Tunisia's application and a two-day Oapec executive council meeting had endorsed the Tunisian request.

Reuter

Australian metal unions in historic wage pact

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA'S METAL trades union and employers have reached agreement on a new wage and hours package which includes an industrial peace clause regarded as historic for Australia.

In return for an across-the-board cut in hours from the current 40 to 38 a week and a wage rise starting at A$25 (£14.70p) a week with provision for an A$14 a week increase after June next year, the major unions involved have agreed not to strike for better pay or shorter hours for 12 months.

The package agreed yesterday between union officials and the Metal Trades Industries Association is expected to be ratified on behalf of the country's 450,000 metal workers at rank-and-file meetings today.

The deal is the first by major unions to contain the no-strike clause, although rises of as much as A$73 a week have been privately negotiated among individual employers and employees, in return for a guarantee of industrial peace. The clause is called a "no claims" clause, rather than "no strike," because strikes over management practice and industrial safety are not ruled out.

The employers have taken what Mr Bert Evans, executive director of the association described as a "business decision."

The profitable metal trades industries, which are booming because of Australia's resources development have been the target this year of strikes in support of the Australian Council of Trades Unions campaign for a 35-hour working week.

Mr Evans said the accord was a milestone, which would give the industry a period when strikes would be "reduced substantially," enabling employers to calculate accurately their costs for a 12-month period.

The price of industrial peace has worried other employer groups, which are now likely to face similar claims, as the metal trades group are regarded as wage and conditions pacesetters.

Mr Ian Viner, the Industrial Relations Minister, cautiously endorsed the agreement, but stressed that it should not be seen as a green light to other unions. To most observers that hope seems forlorn.

Russia presses its own Mideast peace plan

BY IHSAN HIJAZI IN BEIRUT

THE SOVIET UNION has embarked on a diplomatic campaign to promote its own proposals for a Middle East settlement, apparently as an alternative to the eight-point plan put forward by Crown Prince Fahd of Saudi Arabia.

The campaign is being spearheaded by a senior Soviet official, Mr Mikhail Sytenco, who met President Elias Sarkis of Lebanon in Beirut yesterday, with other Lebanese officials and Mr Yasser Arafat, chairman of the Palestine Liberation Organisation.

Soviet officials would not discuss his mission beyond saying that it dealt with Middle East developments.

But Beirut's left-wing daily, As Safir, which is usually well-informed, reported that the Soviet envoy was promoting proposals on the Middle East made by President Leonid Brezhnev last February.

Mr Brezhnev then called for a special international conference on the Middle East under the supervision of the world powers and with the participation of all parties concerned.

David Lennon reports from Tel Aviv: A stone-throwing Palestinian demonstrator was killed by Israeli troops in the Gaza Strip yesterday during a protest against the Israeli occupation.

Khmer party dissolved ahead of Asean talks

By Kathryn Davies in Singapore

THE KHMER ROUGE, expelled from Kampuchea by the Vietnamese in December 1978 but still officially recognised at the United Nations as the country's legitimate Government, has announced that it is formally dissolving its own Communist Party.

The move is significant in the light of recent moves by the Association of South East Asian Nations (Asean) to find a solution to the Kampuchean question, which would involve the removal of Vietnamese troops and the establishment of a democratically-elected regime in Phnom Penh.

Singapore, which is at the forefront of diplomatic efforts among the five-nation non-Communist South-east Asian grouping, has recently suggested that the Khmer Rouge, together with two non-Communist Kampuchean factions, should form a loose coalition to lend international credibility to the struggle to push Vietnam out of Kampuchea.

But the Khmer Rouge, which is backed by China, was unhappy about a proposal to dismantle its existing political structure and by scrapping its Communist Party may be hoping to convince Asean and sympathetic Western Governments that it has renounced the barbaric policies it pursued while in power.

The Khmer Rouge is chiefly known for the brutality with which it applied its unique interpretation of Communist philosophy to the Kampuchean people, following the U.S. defeats in Indo-China in 1975. Up to 3m people are estimated to have died as a result of Khmer Rouge policies before its adherents were effectively expelled by Vietnam and confined to Kampuchea's western border with Thailand, where the Khmer Rouge now maintains a 30,000 strong guerrilla army, as well as all the vestiges of a legitimate government.

But dissolving the Khmer Communist Party is unlikely to help Asean Foreign Ministers in their deliberations in the Thai resort of Pattaya later this week. There is already clear evidence of division within Asean's ranks—most notably between Indonesia and Singapore.

The Indonesians resent the aggressive Singapore diplomatic effort over Kampuchea, claiming that other Asean members (Indonesia itself, the Philippines, Malaysia and Thailand) have not been consulted.

This quarrel may not surface publicly in Pattaya but it is likely to colour future efforts to find a Kampuchean solution.

Indian rail rates rise attacked

By K. K. Sharma in New Delhi

AN unprecedented mid-year rise of 10 to 15 per in Indian railway freight charges was announced by the Government yesterday and immediately attacked by Opposition MPs as a concession to the International Monetary Fund, which has recently agreed to lend India $5.8bn.

The criticism could be justified since the Government had undertaken to the IMF to cut subsidies wherever possible and the railways are deep in the red because of the rise in the cost of diesel and wages during the year. The railway budget is normally presented to Parliament in the middle of February.

The increase in freight rates will fetch the railways Rs. 3.2bn (£1.8bn) in a full year, although the impact in the remaining part of the current financial year, ending March 1982, will be about a quarter of this since the higher charges come into effect from January 1.

However, even this will reduce the overall strain on the general revenues of the Government, which is already facing a rising deficit owing to increased public spending.

Under the conditions for the IMF loan, the Government must limit its net borrowings from the banking system to a 19.4 per cent rise over last year.

The Finance Minister has said that this will not be difficult but the Government is obviously taking no chances and is taking steps to reduce the deficit before the next consultations with the IMF in March 1982.

China border talks

Almost 20 years after being at war, China and India open talks this week in Peking to solve an old border feud and normalise relations between them, AP reports from Peking.

BASE LENDING RATES

A.B.N. Bank	14½%
Allied Irish Bank	14½%
American Express Bk.	14½%
Amro Bank	14½%
Henry Ansbacher	14½%
Arbuthnot Latham	14½%
Associates Cap. Corp.	15 %
Banco de Bilbao	14½%
BCCI	14½%
Bank Hapoalim BM	14½%
Bank of Cyprus	14½%
Bank Street Sec. Ltd.	16 %
Bank of N.S.W.	15 %
Banque Belge Ltd.	15 %
Banque du Rhone et de la Tamise S.A.	15 %
Barclays Bank	14½%
Beneficial Trust Ltd.	15½%
Bremar Holdings Ltd.	15½%
Bristol & West Invest.	16 %
Brit. Bank of Mid. East	14½%
■ Brown Shipley	15 %
Canada Perm't Trust	15½%
Cavendish G'ty T'st Ltd.	15½%
Cayzer Ltd.	15 %
Cedar Holdings	15 %
■ Charterhouse Japhet	15 %
Choulartons	15½%
Citibank Savings	¶15 %
Clydesdale Bank	14½%
C. E. Coates	15 %
Consolidated Credits	15 %
Co-operative Bank	*14½%
Corinthian Secs.	14½%
The Cyprus Popular Bk.	14½%
Duncan Lawrie	14½%
Eagil Trust	14½%
E. T. Trust Limited	15 %
First Nat. Fin. Corp.	17 %
First Nat. Secs. Ltd.	17 %
Robert Fraser	15 %
Grindlays Bank	‡14½%
■ Guinness Mahon	14½%
■ Hambros Bank	14½%
Heritable & Gen. Trust	14½%
■ Hill Samuel	§14½%
C. Hoare & Co.	†14½%
Hongkong & Shanghai	14½%
Knowsley & Co. Ltd.	15 %
Lloyds Bank	14½%
Mallinhall Limited	14½%
Edward Manson & Co.	16 %
Midland Bank	14½%
■ Samuel Montagu	14½%
■ Morgan Grenfell	14½%
National Westminster	14½%
Norwich General Trust	14½%
P. S. Refson & Co.	14½%
Roxburghe Guarantee	15 %
E. S. Schwab	14½%
Slavenburg's Bank	14½%
Standard Chartered	‖14½%
Trade Dev. Bank	14½%
Trustee Savings Bank	14½%
TCB Ltd.	14½%
United Bank of Kuwait	14½%
Whiteaway Laidlaw	15 %
Williams & Glyn's	14½%
Wintrust Secs. Ltd.	14½%
Yorkshire Bank	14½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 12.50%. 1-month 12.75%. Short term £8,000/12 months 15.10%.
† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13%, and over £50,000 13¼%.
‡ Call deposits £1,000 and over 12¼%.
§ Demand deposits 12½%.
‖ 21-day deposits over £1,000 13½%.
¶ Mortgage base rate.

Mercedes-Benz puts Brazil truck workers on paid leave

BY ANDREW WHITLEY IN RIO DE JANEIRO

MERCEDES-BENZ DO BRASIL, the country's leading truck producer, has put 5,000 of its 15,000-strong labour force on paid leave until the middle of January in an effort to reduce stocks.

The company's move is the latest in a series of cutbacks in the Brazilian motor industry.

The truck market in Brazil, which normally averages around 100,000 units a year, collapsed dramatically in the second half of 1981 after holding up well in the first six months.

In August, Mercedes-Benz reduced its labour force by more than 5,000 to its present level when all the major vehicle manufacturers in Brazil were shedding employees. Since then an informal pact with the Government has stopped further mass dismissals.

A spokesman for the West German-owned company said yesterday that it was prolonging its normal Christmas and New Year break to 46 days. Production has been reduced since November 30.

Ford, the second largest truck producer, stopped work entirely at its Ipiranga plant 10 days ago, but is not certain how long the shut-down will last. Trucks normally account for between 15 and 20 per cent of Ford's Brazilian output.

Among the volume car manufacturers, plans for the forthcoming holidays vary. Volkswagen has seen a recovery in its sales lately after the successful launch of the medium-sized Voyage—overtaking the long-serving "Beetle" as Brazil's best-selling car—but plans to stop for its usual 10 days.

Ford expects to close entirely only for the legal minimum number of days over Christmas and the New Year.

Brazil's carmakers are anticipating a modest recovery in sales next year after this year's disastrous 40 per cent drop. Estimates range between General Motors' prediction of growth of between 15 and 20 per cent and more pessimistic forecasts of only 5 to 7 per cent.

Sr Joseph Sanchez, the president of General Motors do Brasil, was reported yesterday as saying car sales should stabilise at around 45,000 to 50,000 units a month late next year.

He estimated that sales at this level would prevent further unemployment in the industry. About 140,000 workers have lost their jobs this year in Brazil's vehicles and vehicles components industries.

U.S. semi-conductor industries no longer lead their market writes **Louise Kehoe**

California's 'Silicon Valley' lags behind Japan

THE "SILICON VALLEY" of northern California has generally been the source of new technology for the growing $18bn (£9.2bn) a year semi-conductor industry. But now, Californian companies find themselves following, rather than leading, in the key market for memory chips.

U.S. semi-conductor companies are increasingly concerned that the market for memory devices used to build computer data stores will be dominated by their Japanese competitors. In the long term, they fear this could give the Japanese a lead in chips of all kinds, including micro-processors.

Japanese manufacturers currently hold 70 per cent of the world market for the latest generation of memory devices —called 64K dynamic Random Access Memories (Rams), which can hold more than 64,000 units of information — according to industry analysts at Data Quest, a Californian market research company. The 64K Ram market could be described as a leading indicator of the entire semi-conductor market, other industry followers suggest.

Rams, the staple item of the semi-conductor industry, are bought and sold by the thousand by semi-conductor and computer companies. Although the latest generation of 64K Rams has only been available for about a year, the world-wide market is already valued at $100m (£51m). By 1985, the world market for 64K Rams will be worth nearly $2.4bn, according to Mactintosh Consultants, the U.S. market researchers. This will make it the largest market ever for a single type of chip.

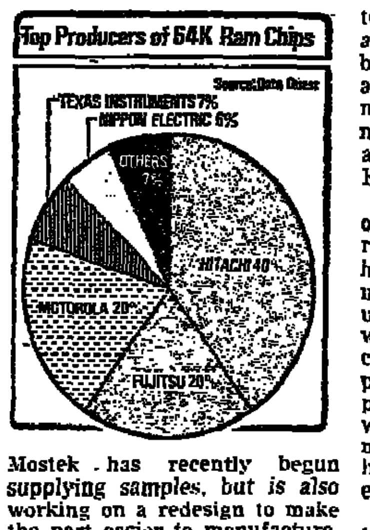
According to Data Quest, Hitachi of Japan has the biggest shares of sales, with almost 40 per cent of the market. Fujitsu has just over 20 per cent, while Motorola is the top U.S. producer with just under 20 per cent of the market and Texas Instruments holds about 7 per cent. Next on the list is Nippon Electric with 6 per cent of the market.

Other U.S. semi-conductor companies like Intel, Mostek, Advanced Micro Devices and National Semi Conductor, are notable for their absence from the 64K Ram market.

Intel, known as an innovator, had to withdraw its 64K Ram when customers reported mysterious failures. The company has been forced to redesign its product at great expense, but hopes to reintroduce it within a few weeks. Meanwhile, Intel has been buying tips from its Japanese competitors — an uncomfortable admission of its own inability to make the parts.

National Semi Condluctor is selling samples of its 64K device to prospective customers and hopes to begin volume production early next year. But the development took much longer than the company had hoped.

Top Producers of 64K Ram Chips



Mostek has recently begun supplying samples, but is also working on a redesign to make the part easier to manufacture.

"I expect Intel, Mostek and National to be major contenders in the market in 1982," says Mr Dan Klesken, a vice-president at Data Quest. "But whatever share they may gain, they will have to take it away from the Japanese," he adds. "The total U.S. supplied share of the market could end up being as much as 40 per cent or as little as 20 per cent."

Prices have been a major weapon in the battle for the market. Last year, 64K Rams were selling for $20, while today spot prices as low as $5 are being quoted, although the average selling price is about $9, according to Mr Klesken. Profit margins have been squeezed almost out of existence and U.S. manufacturers are widely believed to be selling below their production costs in an attempt to improve their market share. "Hitachi may be making a profit but I doubt if anyone else is," says Mr Klesken.

Mr W. J. Sanders, president of Advanced Micro Devices said recently: "The Japanese can have as much of the 64K Ram market as they want, depending upon how much money they want to lose." Although his company has been a major supplier of memory parts in the past, Mr Sanders said that it will stay out of the 64K Ram market until 1983, when he hopes supply and demand will even out to improve pricing.

National and Intal believe, on the other hand, thay they must join the cut-throat competition now. "We have to be in the market in order to maintain our position as a broad line supplier of semi-conductor devices," says Mr Charles Sporck, president of National Semi Conductor.

National and Intel believe, on its 64K Ram early next year. "We were detained by the awful prices," says Mr Sporck. The Japanese clearly aimed to dominate the memory market, he added. "It is an ideal market for them. It involved very large volumes of a few standard devices. It fits their capabilities well—they have excellent manufacturing capabilities and minimal market intelligence. It is easy to predict what the market will want in most memories."

Texas Instruments, which has been more successful in the 64K Ram market, does not like to talk about the U.S. competing against Japan, according to a company spokesman. It is believed to be producing more 64K Rams at its plant in Japan than in the U.S.

Semi-conductor makers both in Japan and the U.S. are already working on the next generation of memory chips — the 256K Ram, which can hold more than 256,000 units of information. Having lost out in the 64K market, U.S. companies have been stimulated to speed up their development of 256K parts. Mr Klesken believes. "They are hoping to sell 256K Rams in two years time for $20, rather than selling 64K Rams below cost," he suggests.

That may be an optimistic view. Already, one Japanese firm, Oki, has announced that it is making samples of a 256K Ram. Although U.S. companies regard the announcement as a marketing ploy, three of the major U.S. semi-conductor manufacturers are still unable to produce a marketable 64K Ram.

"The Japanese will dominate the 256K Ram Market by an even bigger margin than they have in the 64K market," according to Mr Handel Jones, vice-president for strategic management at Rockwell International, another semi-conductor company.

Micro-chip theft sparks security fear

By Louise Kehoe in San Francisco

THE RECENT theft of $2.7m (£1.4m) worth of semi-conductor levices from Monolithic Memories Incorporated (MMI), a Silicon Valley chip maker, has sparked renewed concern about security in this strategically significant industry.

Thefts from semi-conductor companies are not uncommon. Silicon Valley businesses lose an average of $20m (£10.2m) worth of goods a year, according to local sheriffs. But the recent haul was unusually large. Thieves took more than 450,000 circuits—enough to fill a small van.

Because some of the devices stolen from MMI were of the type that are rigorously tested to make them suitable for military applications, the company is concerned that there may have been some international involvement in the crime. "Even if they are commercial grade devices, my guess is that they could end up behind the Iron Curtain," said an MMI official.

Semi-conductor firms put a high priority on security, but it is difficult to protect products which are so tiny that a pocketful would be enough to give a rival firm—or an unfriendly country—enough to build a powerful computer.

Estimates grow for U.S. budget deficits to 1984

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

UNOFFICIAL ESTIMATES circulating in Washington suggest that U.S. budget deficits over the next three years will be much higher than the Reagan Administration has so far publicly conceded.

Fresh calculations by Mr Reagan's economic advisers predict budget deficits of $109.1bn (£57.3bn) in the current 1982 fiscal year, $152.3bn in fiscal 1983 and $162bn in fiscal 1984.

The figures, while in line with estimates made by private economists, have not, however, been endorsed by Mr Reagan's most senior advisers and could be subject to further change. They do not include additional budget cuts that Mr Reagan is seeking over the years in question.

Administration officials have conceded that the current year's deficit could be as high as $80bn to $100bn, against the $43.1bn target set in September. Mr Reagan has abandoned his goal of formerly balancing the budget by 1984.

But the Administration is still trying to establish a clear downward trend in the deficit figures over the coming three years. Others of Mr Reagan's advisers believe the upward trend shown by the figures to be too pessimistic—and an attempt to sway Mr Reagan in favour of tax increases.

Behind the calculation is a preliminary estimate, again unofficial, of a real increase in gross national product of only 0.2 per cent in the 1982 calendar year, 5.4 per cent in 1983, and 5.2 per cent in 1984.

The inflation rate is seen declining to 7.7 per cent in 1982, 5.5 per cent in 1983 and 4.4 per cent in 1984. But the unemployment rate was put at its current level of 8.4 per cent throughout next year, despite the expected economic recovery.

Reagan 'has evidence' of Libyan death squads

BY OUR U.S. EDITOR IN WASHINGTON

PRESIDENT RONALD REAGAN yesterday claimed to have evidence that Colonel Muammer Gadaffi, the Libyan leader, had sent death squads to the U.S. to assassinate him, and warned that Col. Gadaffi's denials should not be believed.

"I would not believe a word he says if I were you," Mr Reagan told reporters at the White House.

In an interview from Tripoli on U.S. television on Sunday, Col. Gadaffi said he had no plans to assassinate Mr Reagan or anyone else, and called Mr Reagan a liar.

Mr Reagan said no decision had been made on possible retaliation against Libya, such as stopping U.S. purchases of Libyan oil. It is well known that possible counter-measures against Col. Gadaffi have been under study for some time in Washington.

Meanwhile, the Federal Bureau of Investigation continued its nationwide search for Libyan—or Libyan-backed—assassins. Officials said that U.S. intelligence had received detailed, though puzzling, reports that a ten-man hit squad had been formed to assassinate Mr Reagan and/or his top Cabinet officers. These include Mr Alexander Haig, the Secretary of State, and Mr Casper Weinberger, the Defence Secretary.

Security surrounding all leading members of the Administration has been greatly intensified. Mr Reagan said yesterday he was satisfied with the level of personal protection.

Levesque threat to quit as Quebec Party leader

BY ROBERT GIBBENS IN MONTREAL

MR RENE LEVESQUE, Premier of the Canadian province of Quebec has threatened to resign as president of the Parti Quebecois after a confrontation with party radicals and separatists.

Militants at the party's 13th national policy-making convention voted overwhelmingly to put sovereignty for Quebec as the top issue in the next provincial election, deleting reference to economic association with the rest of Canada.

Although the party has a strong separatist element, the official platform has so far demanded sovereignty in close economic association with the rest of Canada.

The majority of delegates now want to fight the next election on the sole issue of independence. They would want the Government to proclaim it unilterally if the party won a majority of seats in the National Assembly. This would apply even if the party won less than 50 per cent of the vote.

Mr Levesque, who brought the Parti Quebecois into being in 1968 from a mixed bag of separatist groups, was visibly angered by the tone of the convention.

He said that despite his opposition to the constitutional package of Mr Pierre Trudeau, the federal Prime Minister, economic realities required Quebec to stay in a Canadian common market and be part of North America.

Backed by most of his Ministers, he said that to proclaim independence on the basis merely of a majority of Assembly seats would be undemocratic.

He threatened to resign his presidency of the party and repudiate the key resolutions passed by the 4,000-member convention, saying he would give his decision in a few days. Later the party's executive council issued a statement supporting his position.

The only senior Government Minister who wavered was Mr Jacques Parizeau, Minister of Finance, who appeared to lean towards the radicals.

In his speech to the convention, Mr Levesque warned that the provincial economy and the Government's finances remained an urgent and critical issue which must be resolved before a Parti Quebecois government could lead the province towards independence. His government has just raised the provincial petrol tax sharply, bringing the price to the highest level anywhere in Canada, and has redoubled its efforts to cut public-sector spending, especially on health care.

WORLD TRADE NEWS

Paraguay gains first UK buyer credit

By Our World Trade Staff

LLOYDS Bank Group is providing £8.4m, backed by the Export Credits Guarantee Department, in the first buyer credit facility arranged for Paraguay. The facility is part of an £11.3m financial package supported by the British Government.

The funds are being made available to the Administracion Nacional de Electricidad (ANDE) and will be used for the supply of equipment and services for three electricity sub stations and an extension of over-head power transmission lines. The contract for the work has been awarded to Balfour Beatty Engineering.

The buyer credit facility was signed last week in Paraguay by Sr Enzo Debenardi, president of ANDE, in the presence of several ministers of the Paraguayan Government and Mr Derrick Mellor, the British ambassador.

● Pritchard Services Group, through its associate company Kuwait Pritchard, has secured contracts from the Ministry of Public Health in Kuwait totalling £0.35m to provide ancillary services over the next three years to three more hospitals. Five years ago, Pritchards introduced Kuwait to the concept of contracting out ancillary services.

Ian Hargreaves, in New York, reports on Tokyo's import threat

U.S. typewriters: the ribbon runs out

LAST WEEK another 500 workers in the U.S. portable electric typewriter industry lost their jobs.

In a time of soaring unemployment and deepening recession, one is inclined to dismiss the figures as relatively unimportant in the overall unemployment picture.

But as they represent more than 12 per cent of the workforce of the famous Smith-Corona typewriter company, a subsidiary of SCM, they take on an added dimension, in that they indicate the extent to which this sector of the industry has suffered at the hands of Japanese imports. The remaining 3,500 employees for example, will be taking an obligatory three-week holiday beginning December 14.

A decade ago, there were four U.S. manufacturers of portable typewriters employing 25,000 people. Now Smith-Corona is alone the sole major U.S. manufacturer.

What happened, of course, was the advent of Japanese competition. In 1971, Japan sold 144,000 portable electric typewriters (Pets for short) in the U.S. This year they will sell 600,000, which is half the market.

Smith-Corona, whose plants are in upstate New York, has been hurt. Last year, typewriters, which include office machines as well as portables, cost SCM a $8.7m (£4.5m) pre-tax loss and, with a recession now deepening in the U.S., the situation must be worsening.

So, in addition to parting company with a big share of its workforce, SCM, which also makes typewriters in Glasgow and Singapore, has written to the Government.

Signed by Mr George Burns, president of SCM's consumer products division, the letter is addressed to Mr Lawrence Brady, assistant secretary for trade administration in the Department of Commerce.

Its contents are a reminder of how complex and time-consuming the administration of the U.S. Unfair Trade laws has become. The reminder may be timely in view of the spate of dumping suits now being contemplated or pursued by the U.S. steel industry.

The history of Smith-Corona's experience with the trade laws is, in greatly digested form, as follows:

1974: Worried about a 60 per cent increase in the U.S. sale of Japanese pets in 1973, Smith-Corona initiated an anti-dumping proceeding. The Treasury Department (whose responsibility for these matters has since been transferred to commerce, although many of the same individuals still are involved) decided dumping had occurred.

1975: The issue then went to the International Trade Commission (ITC), a quasi-autonomous, Government-appointed body which has to decide whether or not material injury was suffered by the complainant as a result of the dumping.

Only if injury is proved can penalties be imposed. The U.S. Justice Department testified at the hearings in favour of the Japanese, worried about Smith-Corona's near monopoly in the market. The ITC voted 3-2 against Smith-Corona. Seven years later, an appeal against that vote is still in the courts.

1979: Japanese imports of pets reached a new high in 1978, prompting Smith-Corona to launch a second anti-dumping case. The treasury found that the margins of unfair under-pricing by the Japanese range between 37 per cent and 48 per cent and approved the case.

1980: The ITC voted 5-0 that Smith-Corona had been materially injured and in May issued an anti-dumping duty order.

May 1980: The two largest Japanese suppliers, Brother Industries and Silver Seiko, petitioned the International Trade Administration (ITA) for a stay of the duties, arguing that since the time of the ruling the level and price of their imports had changed. Indeed 534,000 pets were imported in 1978 and only 443,000 in 1979. The ITA agreed with the Japanese companies and under Section 736 of the 1979 Trade Agreements Act received authority to reinvestigate the dumping margins.

August 1980: Having visited Japan, ITA investigators announced that the dumping margins for Brother Industries should be 4.3 per cent rather than 48.7 per cent, with a weighted average of 14.9 per cent rather than 36.5 per cent.

August/September 1980: Smith-Corona and Brother both appealed against the ITA dumping margins. In the first half of 1980, Japanese imports of pets reached 295,000, a 45 per cent increase from the same period of 1979.

1981: A second dumping margin investigation is in progress, but pending that the Japanese companies are paying the reduced duties to cover the dumping margin determined by the ITA re-investigation.

Perhaps, it might be thought, Smith-Corona should simply give up.

But SCM feels that it already made one well-timed labour base switch by opening its large Singapore plant.

Also SCM wants to stay in the typewriter business. It just spent $50m bringing to market its first electronic office typewriter, the typetronic, which is having to compete, so far not too successfully, in a tough world dominated by IBM.

Along with the closure of the Pet production line, SCM has also had to shut the typetronic line. Smith-Corona's Pets should have been, in theory, providing the cash for the expensive product launch of the generation machine.

Cable Belt wins £18.5m order from Australia

By Our World Trade Staff

CABLE BELT, the Laird Group unit at Camberley, has won its first order from the Electricity Commission of New South Wales, to provide and instal two conveyor belts, in a deal worth $36m (£18.5m).

The conveyor belts will run 11.5 km from the Commission's Mount Arthur North coal mine to a power station near Muswellbrook in the Hunter Valley, Cable Belt said yesterday.

This brings to $110m the value of orders won by Cable Belt worldwide this year and to $120m the value of orders won in Australia over the last 18 months.

Cable Belt was helped in its tendering by its recent establishment of an Australian manufacturing subsidiary. The Commission was insistent on a large element of local supply. Design of the belts, however, will be done at Camberley.

The main competition faced by Cable Belt came from the Australian subsidiaries, of South Korean and German companies, and it appears that prices tendered by the main rivals were broadly similar. But under the Cable Belt system it is possible to power the conveyors with one drive unit instead of four.

U.S. and Japan to hold talks on non-tariff barriers

BY RICHARD C. HANSON IN TOKYO

U.S. and Japanese officials begin two days of talks tomorrow on the problem of non-tariff barriers (NTBs) in their bilateral trade. The discussions are being held amid growing signs that other trade rows, specifically car exports, are brewing again.

Mr David MacDonald, the U.S. Deputy Trade Representative, who is in Japan this week ahead of the U.S. delegation, brought the car export issue back on to the centre stage last week. In a statement in Washington, he suggested that the current agreement on voluntary restraints of shipments from Japan may have to be tightened further next year in the light of poor market conditions.

The Ministry of International Trade and Industry, where Mr MacDonald met with senior officials yesterday, sharply rejected the notion that exports would fall below the level announced on May 1 this year.

Under the agreement, which MITI imposed on the Japanese motor industry, Japanese shipments of passenger cars, this year (extending to March 1982) will not exceed 1.68m units.

From next year, the announcement made by MITI said the level may rise by a specific proportion of any increase in total U.S. market sales.

Mr MacDonald will participate in a one-day session today of the so-called Trade Facilitation Committee, set up in 1977 to hear complaints from U.S. business trying to sell goods to Japan.

But the main purpose of Mr MacDonald's visit is the trade sub-committee—of the U.S.-Japan sub-cabinet level committee—exchange on NTBs, the first working-level meeting devoted to the subject. The trade sub-committee was formed in September.

The U.S. has already presented to the Japanese Government its position in considerable detail.

One indication of how detailed the Japanese side expects the talks to be can be found in the fact that its delegation, led by Mr Hiromu Fukuda, Director-General of the Foreign Ministry's Economic Affairs Bureau, will be made up of nine ministers.

The most specific issue to be tabled by Japan involves a recent decision by A. T. and T. in the U.S. to reject a competitive bid for a supply contract by Fujitsu, the Japanese computer company, apparently on the grounds of national interest.

Gatt Council prepares for trade policy conference

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

DEFINITION of the issues to be discussed at the biggest international trade conference for nine years has been put in the hands of Mr Donald McPhail of Canada and a preparatory committee of the General Agreement on Tariffs and Trade (Gatt).

Arthur Dunkel: Gatt's director-general

The Council of the 86-member Gatt yesterday in Geneva put into motion the preparatory work for a ministerial meeting which is likely to influence the evolution of trade policy for the rest of the decade.

"I think the main task which lies ahead for the Council and the preparatory committee is to determine the right level of ambition for such a meeting," said Mr Arthur Dunkel, the director-general of Gatt.

Delegations to the Gatt have already started to stake claims for items to go on the agenda of the November 1982 conference. But there is broad agreement that the conference could act both as an antidote to bilateral trade deals restraining the movement of goods.

The U.S., anxious to create and maintain trade liberalisation, is likely to press hard for discussion aimed at lifting restrictions on foreign investment and at freer trade in services.

The EEC does not consider services a priority, rather it sees the ground as perhaps being prepared for negotiations in about five years. Present thinking suggests the EEC anxious to concentrate on business left over from the Tokyo Round, not least agriculture.

The U.S. and middle-ranking powers like Australia and Brazil will also be anxious to see agriculture on the agenda, feeling that the market has become hopelessly distorted by subsidised exports from sources like the EEC.

Netherlands plans £121m order for 18 F-16 jets

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH Government plans this month to place an order for 18 F-16 fighters costing Fl 560m (£121m). The aircraft are intended to replace peace-time losses and 20-year-old Northrop NF-5s in use by the Royal Dutch Airforce, the Defence Ministry said.

The order brings the total of F-16s bought by the Dutch to 142. The Government initially ordered 102 of the aircraft in 1975 to replace five F-104 Starfighter squadrons and last year bought another 22 to make good peace-time losses. The Dutch have lost four F-16s since the aircraft came into service.

The Government intends to buy another 71 F-16s to complete the replacement of all the four squadrons of NF-5s.

The F-16 was designed by General Dynamics of the U.S., but Fokker, the Dutch aerospace group, makes some components and assembles the aircraft for the Dutch and Norwegian airforces.

Assembly by Fokker will make the latest order Fl 51m more expensive than it would have been if the aircraft had been bought off the shelf from General Dynamics. But compensation orders worth Fl 265m will be placed with Dutch companies.

The latest order shows that the cost of the aircraft has increased. Excluding the cost of ground support equipment, the latest aircraft will cost Fl 24.7m each, 32 per cent more than those ordered last year. This increase results from the 22 per cent rise of the dollar against the guilder and 10 per cent inflation.

Israel 'has offers to build Dead Sea power scheme'

BY MAURICE SAMUELSON

ISRAEL says it has had offers from "a number of major companies" in the U.S. and Europe to construct and operate a hydro-electric scheme on the Dead Sea which Britain and several Third World states regard as illegal.

Mr. Yitzhak Berman, Israeli Energy Minister, yesterday declined to name the companies, saying it would be another year before Israel invited tenders for the scheme, estimated to cost up to $1bn (£526m). A canal will be built from the Mediterranean to the Dead Sea, the lowest point on the earth's surface, where a hydro-electric plant will provide 700 mw of off-peak power.

Before entering commercial agreements, Mr Berman said, Israel wanted to carry out more engineering studies and to raise the first $100m by sale of low-interest government bonds in the U.S., Britain and elsewhere. Mr Berman was in Britain to meet potential investors.

The scheme has been criticised by Britain, the EEC and some Third World countries following complaints by Jordan that it would damage her chemical industry on the eastern shore of the Dead Sea. Mr Berman yesterday claimed that Jordan's objections were primarily political and that she had refused an invitation to discuss it with Israel.

Mr Berman, a British-trained lawyer and until recently the Speaker of the Israeli Knesset (parliament), said: "I know of no international law which prohibits us from constructing a canal on our own territory."

Known in Israel as the "Two Seas Canal," the scheme is Israel's largest development project since the Jordan Valley irrigation works of the 1960s.

Exploitation of the River Jordan by Jordan as well as Israel has helped to lower the level of the Dead Sea and Israel claims that the "Two Seas Canal" will restore it.

Like Jordan, Israel has a thriving chemicals industry on the Dead Sea which it is anxious to protect.

Howden challenges clause in Lloyd's Bill

BY JOHN MOORE

A MAJOR international Lloyd's insurance broker with extensive Lloyd's underwriting interests has told Parliament that it would be "injuriously affected" if new legislation for the Lloyd's market forces the group to sell off its shareholding links with underwriting syndicates at Lloyd's.

Alexander Howden Group, the financial holding company with extensive Lloyd's of London interests, is challenging a key clause in the Lloyd's Bill of Parliament, which calls for brokers to divest themselves of their shareholding links with the management underwriting agency companies at Lloyd's. The agency companies run the underwriting syndicates.

Howden has lodged a Parliamentary petition which is due to be examined by a House of Commons committee next Monday.

The Howden petition says that "divestment would reduce the competitiveness and market share of the United Kingdom firms in the international insurance market at a time when there is unprecedented competition worldwide."

The petition says the sale of the shareholding links would "result in a reduction in the flow of insurance and reinsurance business through London, and in particular to Lloyd's, and would therefore reduce the substantial contribution the insurance industry makes to the UK's invisible exports. The only beneficiaries of divestment would be London's foreign competitors."

Parliament has insisted that Lloyd's should include the divestment provision in its legislation because it was concerned about the conflicts of interest which exist in the present structure at Lloyd's. Lloyd's had to poll its 20,000 members to get their approval for the insertion of the divestment clause and 13,511 votes were received in favour of the clause.

Howden criticises Lloyd's in its petition for urging "the membership to vote for divestment not on its merits but as an expedient in the belief that otherwise Parliament would not enact the Bill."

Howden intends to call six witnesses to support its arguments: an analyst from a firm of stockbrokers specialising in analysis of the insurance sector; Mr Kenneth Grob, chairman of Alexander Howden; Mr John Wallrock, chairman of Minet Holdings, another broking group with extensive Lloyd's interests; and three underwriters. Sir Frank Layfield QC will be presenting the Howden case.

Miniature 'voice box' for deep sea divers

By Mark Meredith

THE WOLFSON Microelectronics Institute in Edinburgh has begun work on a new device to unscramble the Donald Duck-type voices of deep-sea divers, when they breathe helium-enriched air.

Helium greatly increases the velocity of sound coming out of the throat, which makes speech virtually unintelligible and means many divers can communicate with each other only through lip-reading.

Existing systems require a diver's voice to be unscrambled through a device about the size of a television set on the deck of a support vessel.

But the Wolfson Microelectronics Institute at Edinburgh University started two years ago to reduce the circuitry involved in unscrambling devices, and produced for the Royal Navy a tubular device about 8 ins long which could be strapped to a diver's leg.

Under a £130,000 grant from the Wolfson Foundation, work is now under way to reduce the unscrambler through improved technology to about the size of a match box. It could then be fitted inside the diver's helmet.

The device measures the movement of the muscles in the diver's throat, and unscramblers now recreate a voice complete with accent quite close to that of the diver.

The latest project will reduce the micro-circuitry from the original 400 required on the support vessel device to one single chip, according to Dr Mervyn Jack, a lecturer at Edinburgh University's Department of Electrical Engineering, who devised the model of unscrambler for the Royal Navy.

Dr David Milne, director of the Wolfson Institute, said the unscrambler should provide a multi-million pound export potential for Britain.

"There are currently about 80 saturation diving complexes worldwide, each of which might need 10 communication systems," he said. The new product would, once developed, improve working efficiency and safety in the diving industry.

'Trading decline' is a disgrace—Racal chief

BY MAURICE SAMUELSON

SIR ERNEST HARRISON, chairman of the Racal Electronics group, said yesterday that Britain's decline as a world trading power was "a national disgrace for which we must all accept responsibility."

Government cash was needed to transform British industries by an injection of electronics, he told a London luncheon at which he was named 1981 Businessman of the Year.

Attended by Sir Geoffrey Howe, the Chancellor, Sir Ernest said 80 to 90 per cent of university places should be reserved for science students only. "If people want to study ancient Egypt, let them do so at their own expense," he said.

Sir Ernest thought the problem of youth unemployment should be solved by bringing down the retirement age.

On overseas competition, Britain had to meet the Japanese "head on," and there should be close collaboration among the electronics industries of Western Europe.

Racal had succeeded by concentrating on products for which there was an overseas demand. He predicted that next year the company would become one of the UK's top 20 exporters—it is now in 22nd place.

Racal exports are worth £18,000 a year per employee, compared with the national average for manufacturing industry of £6,000. The group has more than 60 principal companies and made a pre-tax profit in the last financial year of £73m on sales of £536m.

The Businessman of the Year award, sponsored by Hambros in aid of Joint British Cancer Charities, is given to the person who has made an outstanding contribution to his own business, his community and the country.

Sir Ernest, 55, has been chairman and chief executive of Racal since 1966. Winners of the award over the past five years have been Lord Sieff of Marks and Spencer, Sir David Orr of Unilever, Sir Terence Beckett of Ford, Sir Hector Laing of United Biscuits, and Sir Alastair Down of Burmah Oil.

Maritime arbitration questioned

By Raymond Hughes,

NINE experienced arbitrators in the City of London had expressed divergent views on what was "the customary manner" of conducting maritime arbitrations, a High Court judge said yesterday.

Some believed there was no customary manner at all and one thought the expression was invariably taken to mean the appointment of a single arbitrator, said Mr Justice Bingham.

However, the majority regarded the appointment by each side of his arbitrator, and the appointment by the two arbitrators of an umpire, as the most usual way of doing things. That, the judge commented, conformed with his own experience.

He was faced with a clause in a charterparty which provided that "Arbitration, if any, is to be settled in London according to British law in the customary manner."

Under the charter party, Laertis Shipping Corporation of Liberia chartered its vessel to another company to carry a cargo of cement from Barcelona to a West African port.

A dispute had arisen; the owner appointed its arbitrator; the charterer failed to appoint an arbitrator. Laertis therefore asked the court to declare, under the 1950 Arbitration Act, that its appointee, Mr John L. Potter, had become the sole arbitrator of the dispute.

The judge said that the owner had, in accordance with the customary manner, appointed its own arbitrator, and given notice that if the charterer did not appoint its own arbitrator, Mr Potter would become the sole arbitrator.

A success story on state efficiency audits

Government expands work of the Monopolies Commission. David Churchill reports

THE Government's decision, announced last week, to strengthen the efficiency audits of nationalised industries carried out by the Monopolies and Mergers Commission probably owed much to the fact that the four inquiries already carried out have been among the most successful of the commission's deliberations.

Four industries have been covered in the past 18 months—post, rail, water, and electricity — and a total of 180 detailed recommendations have been made. According to the industries concerned, most of these recommendations have been taken seriously and have been implemented voluntarily after talks with the sponsoring government department involved.

The powers enabling the Trade Secretary to refer public sector bodies to the commission for a six-month inquiry (extending up to nine months if necessary) were granted under the 1980 Competition Act. This also created the investigations into anti-competitive behaviour by individual companies carried out by the Office of Fair Trading.

The Inner London letter post was the first nationalised industry inquiry to be undertaken, although this was carried out under the 1973 Fair Trading Act rather than the Competition Act.

This was because at the time (September 12 1979), the problems of the London letter post meant that an urgent inquiry was needed, but the Competition Act had not yet become law. (It became law in the summer of 1980.)

The use of the Fair Trading Act for such investigations was not ideal for various technical reasons but the Government felt the urgency of the inquiry warranted its use.

The report was published on March 31 1980. Its main conclusion was that "the complaints about the deterioration of the London letter service are fully justified; there is no doubt that the deterioration has significantly impaired the efficiency of the business community in Inner London."

The 129-page report contained 45 detailed recommendations. The Post Office has accepted all but three, pointing out that it had come to the same conclusions as the commission of the need for higher standards. The three exceptions were relatively minor.

Since the investigation took place, there have been some substantial inprovements in the two main areas of concern: the reliability of service and the level of productivity.

In June 1979, the level of service in London had deteriorated to the level that only three-quarters of first-class letters in London were delivered the next day. Since then, the percentage of first-class deliveries has risen about 90 per cent. (In the last quarter to September this year, the level was 90.5 per cent.)

The Post Office says it is well on the way to getting the 15 per cent improvement in productivity over a three year period recommended by the commission. In the three months to June this year, for example, productivity was 6 per cent higher than in the same period last year.

The Post Office says that it regards the commission's report as a constant spur to meeting the targets it had also identified.

The London and South-East commuter services of British Rail were referred for investigation on April 8, 1980 after widespread concern about the levels of service. The commission's report was published in October 1980. It was 316 pages long and there were 36 detailed recommendations.

British Rail says that it has already accepted 28 of the recommendations and points out that much of the commission's thinking was in line with the evidence given by BR during the inquiry. Of the remaining eight recommendations, four concerning productivity are being negotiated with the unions, and British Rail is working on ways to implement the other four.

The Central Electricity Generating Board was referred to the commission on June 3 1980 but, because of the complexity of the investigation, the commission was unable to report to the Government within the six-month time limit. The commission was given a further three months and the report was eventually published on May 20 1981.

The report, 361 pages long, included 26 detailed recommendations on such matters as planning and appraising new investment and plant maintenance. The board was unable to say how many of the recommendations had been accepted or rejected because of their complexity, but a spokesman said all the recommendations "were being taken very seriously."

One organisational change which was underway even when the investigation was being carried out, for example, was strategy department to help the creation of a corporate with investment decisions. A full report on the board's response to the report has been sent to the Energy Secretary.

The Severn-Trent Water Authority was referred to on October 9, 1980, with additional terms of reference referred on November 18. The investigation followed widespread public concern at the level of water rate demands.

The report was published on June 9, 1981 and was 468 pages. The commission found "a number of areas where we considered that efficiency has suffered and potential cost savings are not being secured." It suggested 73 specific recommendations as to how the authority's efficiency could be improved.

The authority says that it accepts the bulk of the commission's conclusions and has already set in motion a number of improvements along the lines recommended.

The commission is investigating four provincial bus companies and will shortly be asked to look at the costs and efficiency of the coal industry.

Under the Government's proposals, up to six investigations will be carried out each year and all the nationalised industries would be covered within a four-year period.

Prior to hold discussions on Ulster economy

BY OUR BELFAST CORRESPONDENT

MR JAMES PRIOR, the Northern Ireland Secretary, has invited the province's Westminster MPs and its three European MPs for a conference over the regional economy at Stormont in two weeks' time.

Mr Ian Paisley's Democratic Unionist Party (DUP) may boycott the December 21 talks, however, because it feels they are part of the Government's moves to improve relations with the Irish Republic.

The DUP was suspicious of the proopsal when it was first mooted two weeks ago. Yesterday Mr Peter Robinson, the deputy leader, said it looked unlikely the party would attend. He claimed that proposals which might come from the conference would be fed into the current Anglo-Irish discussions.

The Official Unionist Party will decide tomorrow whether to join the discussions. It appears it may do so. The mainly Roman Catholic Social Democratic and Labour Party will be represented by Mr John Hume, its leader, a Member of the European Parliament.

Mr Prior is seeking "an open exchange of views" on six major economic issues. The Northern Ireland Office has not invited Mr Owen Carron, the Independent Republican MP for Fermanagh-South Tyrone.

Provisional Sinn Fein, the political wing of the Provisional IRA, announced yesterday that it would fight selected Northern Ireland seats at the next general election, in direct opposition to the SDLP, which has been the main Catholic Party for more than 10 years.

The Republican movement has been considering an intensified political campaign since Mr Owen Carron's victory in the Fermanagh by-election.

Mr Richard McAuley, Sinn Fein vice-chairman in Northern Ireland, said the party would reorganise in line with local government and Westminster constituency structures. Constituency parties would be established in areas of high Catholic population.

Chester's zoo quest to boost its business image

Anthony Moreton discovers that the Best of British is to be found in an unlikely setting

AN EXHIBITION to boost British products opening on April 1 and held in a zoo might be thought to start with an in-built handicap.

But things are seldom what they seem and the Best of British exhibation in Chester next year already looks as though it will give a significant boost to a city that feels it has been sidetracked by both commercial development and tourism.

Chester is best known as a *pleasant cathedral city* with a marvellously old-world shopping centre. Some know that the Duke of Westminster has his family seat nearby and that the city's Grosvenor Hotel bears his family name—as does the rather more famous Grosvenor Square in London.

But that is about all. It does have two large employers just outside the town in British Aerospace and GEC-Ferranti, but most of its companies are medium-sized local concerns with between 150 and 200 workers.

This has in some ways worked to the city's advantage. Chester's unemployment rate is lower than the national average and the crowds who flock in for Christmas shopping appear to be more concerned by the lack of car-parking spaces than by the rising cost of living.

There are those, however, who believe that with its natural attractions the town could offer a home for companies seeking a regional or national headquarters. They also feel that if Chester is to prepare for the end of the recession it ought to be doing something about it now.

It was with these thoughts in mind that the Best of British exhibition was conceived.

The exhibition was founded by a group of businessmen and women, and sold to a wider audience including the Duke, who has become its president, as well as bodies such as the Chamber of Commerce.

The object was to have an exhibition that featured British products to be a showpiece for them *in a quintessentially* British setting.

The difficulty was to pick a site in a city which is not rich in exhibition or conference facilities. This is where the zoo comes in.

Chester Zoo is the largest in Britain after London. This year it will have had 870,000 visitors through its turnstiles. Once, long ago, it handled over 40,000 in a single day, though its director, Dr Michael Brambell, who came three years ago from London, where he was curator of mammals, admits this would now be a terrible crush.

Nevertheless, 25,000 can be handled with ease and up to 30,000 at a push. Such a number could not be accommodated anywhere else in Chester.

A site at the zoo therefore offered the exhibition organisers the necessary space and a marquee is to be erected on the car park which will hold 450 stands.

For the zoo, the attraction of the exhibition was equally compelling. The show would help publicise the zoo, its facilities would be used—a new fast-food restaurant opens next week—and income would be brought in at a quiet time of the year.

Chester Zoo has been through a difficult period. The halycon days of the late 1960s and early 1970s, when attendances *topped 1m each year*, have gone and it has been losing money. Last year it lost £180,000 on a budget of £1.9m., and while it expects to break even this year, as a non-profit-making charity all losses have to be covered out of its own income

That it should continue in the black is important for the city too. With 145 full-time staff and almost as many part-timers in the summer, it is one of Chester's larger employers.

The exhibition itself is being divided into eight sectors: British life style; motors and boats; sport and leisure; fashion; food and drink; holidays; art and craftmanship; and trade and professional. Without modesty it claims to be, in the words of Mrs Ruth Elliott-Smith, of the Elliott-Smith Partnership in Northwich, who is undertaking much of the organisation, "the world's only showcase for such a wide range of top-quality British goods."

A number of household names have already booked space, including Sotheby's Prestige Hotels, British Telecommunications, North West Gas, the Professional and Executive Register of the Manpower Services Commission and George Wimpey. As the new year approaches Mrs Elliott-Smith and her chairman, Mr Oulton Wade, a local dairy farmer who converts his milk into cheese (he is one of only two manufacturers of the famous blue-veined Cheshire) expect the numbers to snowball.

The Government is giving the exhibition its blessing in the form of assistance from its specialised agencies, such as the British Overseas Trade Board, and a promise that Mr Patrick Jenkin, the Industry Secretary, will attend on one of the three days.

With such backing the organisers hope that the exhibition can be turned from a one-off project into an annual event.

For that to happen, they need more big names. Down the road, in Crewe, is the home of Rolls-Royce, which has not yet decided whether to take part. It would be ironic if an exhibition whose theme is the Best of British lacked the one company that to most people, here and abroad, personifies everything that is best about the British.

Good will not enough, says RNIB

BY LISA WOOD

A STRONG plea for the Government to keep the quota scheme for disabled employees was made yesterday by the Royal *National Institute for the Blind.*

Mr Norman Tebbit, the Employment Secretary, is currently taking evidence on a proposal, made by the Manpower Services Commission, that the existing legislation obliging employers with 20 or more employees to engage a 3 per cent quota of registered disabled people be replaced with more general rules.

These would make it a duty of employers to take "reasonable steps" to promote equality *of opportunity for disabled* people.

The proposed legislation, which has provoked widespread criticism from pressure groups representing the disabled, would be linked to a code of practice giving employers practical guidelines.

The RNIB, in its evidence to Mr Tebbit, said the existing legislation needed strengthening, not weakening.

"The MSC's proposals to change the law so as to rely on the good will of employers are not satisfactory," it said.

In calling for stricter enforcement of the existing law the RNIB said: "The legislation should, for example, enable any individual or organisation to bring an employer before an industrial tribunal if that employer offends the quota law."

Grant cut is 'only control' on councils

BY ROBIN PAULEY

THE ONLY effective way of cutting council spending while preserving the constitutional position of local authorities is to cut the level of Government grant and to make this the major regulator of expenditure levels.

This is the conclusion of an analysis of possible ways of controlling local government spending published today by the Chartered Institute of Public Finance and Accountancy.

The Government has already accepted the argument in part, by cutting its level of support from 59.1 per cent of current expenditure ranking for this year to 56 per cent next year for English councils.

Although there are disadvantages to grant cuts from the Government's point of view, including the risk of high rate increases, the signs are that loss of grant is the only factor which has had any downward influence on council budgets, says CIPFA.

The analysis looks at some other possibilities which have been considered by the Government. The now abandoned plan to force councils to hold referendums before levying a *supplementary rate would not* achieve the tight control of local spending although it might stop authorities spending at planned high levels, the report says.

If fresh council elections were substituted for referendums tight control would be even less likely to be achieved.

Economists outline reflation package

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THREE economists yesterday issued a plan to reflate the economy, provide more jobs and reduce inflation of the retail price index, without significant extra public borrowing.

Yesterday's statement is issued by Sir Bryan Hopkin, professor of economics at University College, Cardiff and a former chief economic adviser to the Treasury: Professor Marcus Miller of Warwick University and Professor Brian Reddaway of Cambridge University.

The main points of their programme are:

- a reduction in the exchange rate by about 15 per cent;
- lower interest rates;
- abolition of the National Insurance surcharge at a cost of £3bn a year;
- VAT cut from 15 per cent to 12 per cent;
- restraint of nationalised industry prices to 1 per cent below what they would otherwise have been;
- an increase of £600m a year in public spending with extra capital projects in nationalised industries and increased current and capital government spending;
- an incomes policy to prevent wage inflation, though this would be neither formal nor institutional in the short-term.

A major corollary would be that the Government should abandon its attempts to use control of the money supply as a main weapon against inflation.

The professors say: "We regard it as of paramount importance to avoid a long period of accelerating inflation, but we are extremely sceptical about the possibility of 'eliminating' inflation by any measures (certainly not by those adopted so far), even if enormous sacrifices of output are accepted."

They are sceptical of claims that the success of the Government's policies could result in the elimination of inflation, followed by a spontaneous rise in output and employment. They say: "We suspect that a revival would tend to restart the inflationary process unless new measures, of a different kind, were successfully introduced."

For this reason, they attach great importance to improvements in the system of pay bargaining, although they appear not to favour a system of legally enforceable pay limits.

"We envisage that the Government should frame its own attitude towards wage settlements, both in the public and the private sectors, and should use its influence on them within the limits set by considerations of acceptibility to public opinion and by long-run economic criteria."

The first stage would be systematic discussions between the Government, employers and unions about the possibilities and objectives.

The group believes that the cost in terms of extra public borrowing would not be great in the medium-term because extra spending would be roughly balanced by extra income from the increase in economic activity, and by savings from the reduction of unemployment benefits.

However, there would be time lags between the extra spending and the increase of revenues.

The inflationary effects of the measures, including the increase in prices resulting from a lowered exchange rate, would be offset by the reduction in VAT and the slower rate of increase of nationalised industry prices.

RESULTS EXPECTED AFTER ONE YEAR
(all compared with expected outcome of present policies)

Output: up 3 per cent
Unemployment: down by 320,000
Employment: up by 480,000 (1.8 per cent)
Inflation: down with 2.4 per cent off the retail price index
Wage increases: much the same
Take home pay: up 0.5 per cent in money terms
Pay bill: up before tax by £3.6bn or 2.4 per cent
Profits: up, all kinds before tax, by £7bn (9 per cent)
Real incomes: up personal disposable income up by 3.6 per cent
Current Account: of balance of payments strengthened by £400m
Public Borrowing: little change

Co-ordination of aid for small businesses urged

BY NICK GARNETT, NORTHERN CORRESPONDENT

A REPORT on new enterprise workshops and innovation centres has emphasised the need to co-ordinate aid for small businesses and to rationalise the agencies that provide it.

This is one of the conclusions in the report, by the school of business and industrial studies *at the Hull College of Higher* Education. It says that where such centres exist they, rather than the Small Firms Advisory Service, should provide the focus for co-ordinating aid.

This would probably be the best way of fostering the small business sector by putting small businesses which need assistance in contact with those *agencies which can supply it.* New enterprise workshops (NEWs) and innovation centres (ICs) have generally been set up in the past four years and operate largely in depressed areas—the North East and North West, parts of Scotland, the Midlands and South Wales.

The preliminary study argues there is now a case for introducing some form of machinery for ICs, and possibly NEWs, through which inventors who do not want to start their own business and others lacking in buiness knowledge could be introduced to individuals with business skills and capital.

In terms of providing employment—usually the principal reason for local authorities centres and development agencies—NEWs rather than ICs seem to offer the best prospects of making an impression on local economies within a reasonable period of time.

The NEWs are likely to produce results faster than ICs and it is easier to provide assistance for non-innovative new businesses as problems tend to repeat themselves.

New enterprise workshops and innovative centres in Britain. The School of Business and Industrial Studies, Hull College of Higher Education.

Government will settle disputes on gas supplies

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE GOVERNMENT will have the power to arbitrate between the British Gas Corporation and private suppliers in any dispute over the use of the gas pipeline network, Mr Nigel Lawson, the Energy Secretary, said yesterday.

The move will form part of legislation which the Government intends to introduce in this Parliament to break the British Gas monopoly of North Sea supplies and to allow private companies to supply industrial and commercial users.

Mr Lawson, speaking at a conference in London, confirmed that the legislation would give private suppliers access to British Gas' huge onshore pipeline system, which would be used as a "common carrier." Private suppliers would negotiate access with the corporation.

The minister added: "To ensure private suppliers can get access to British Gas pipelines on reasonable terms, there will be legislative provision to bring any dispute to the Government for determination.

"So where agreement is not possible in normal negotiations, private suppliers will, in effect, be able to call on the Government to arbitrate on the points of difference, and the Government will have powers to require British Gas to make capacity available and to specify the terms."

Mr Lawson's remarks follow hints from the gas industry that it regards a common carrier system as extremely cumbersome to operate and that a rapid surge of business resulting from the legislation could put pressure on its distribution system.

However, the minister said yesterday that while acting as a common carrier would be unfamiliar to the corporation, this should not be a great objection. Such arrangements were established in many countries. Some of the pipelines in the North Sea had been built to serve one field but were now used to carry oil and gas from others as well.

These arrangements were the result of negotiations between pipeline owners and people with gas to transport—and the onshore system would be similar to this.

The "outdated statutory privileges" of British Gas ensured that it dominated the market, Mr Lawson said.

"I recognise the valuable part that British Gas has played in developing the industry. But this has now reached a state of maturity in which total control by the corporation stifles new developments and allows inefficiencies of one kind or another to persist unchecked."

The Government has also announced plans to sell off all or part of the corporation's oil interests, although the form which this will take has yet to be decided.

The first to be "privatised" is expected to be the onshore Wytch Farm oilfield in Dorset, where British Gas has a 50 per cent stake. The corporation is trying to retain operating control, even under new ownership.

Car price cuts could threaten British production

By Kenneth Gooding, Motor Industry Correspondent

ANY STEEP reduction in car prices in Britain to bring them into line with those charged on the Continent could result in the virtual disappearance of UK car production.

This claim is made by the Society of Motor Manufacturers and Traders in a paper which attempts to answer some of the recent criticisms about car prices in Britain.

These were levelled in particular in a document from the European consumers' associations' organisation, BEUC (Bureau Europeen des Unions de Consommateurs).

The society says suggestions that a 25 per cent reduction in UK car prices could result in a substantial improvement in the country's balance of payments do not take into account the dramatic effects of enforced price reductions on the future for car production in Britain.

"Low-cost car producing countries, such as Japan, Korea and Eastern Europe may be able to absorb such reductions, and West European makers could to a lesser extent. The situation for British companies, however, may be vastly different.

"The implications of such price cuts on future UK production plans for Ford, Vauxhall and Talbot, which not only manufacture or assemble in the UK but also import built-up cars from their Continental factories, would be considerable.

"As their Continental manufacturing costs are currently so much lower, the present inducements of additional capacity and higher prices obtainable in the UK market (reflecting UK inflation and lower productivity) would cease to apply.

"The effects on BL, coming at a time when that company is well short of completing its restructuring, could also be grave.

"In short, what might seem to be merely an exercise in price rationalisation could result in the virtual disappearance of British production altogether," says the Society.

"The consequences of such moves for Britain's vast motor components industry—exports last year were more than £2bn—would be catastrophic. Its strengths are tied very much to there being a substantial local manufacturing and assembly industry with vehicle design centres in this country."

The Society says the only effective way to cut car prices in Britain would be to reduce the rate of UK inflation and substantially improve the UK's industrial productivity.

It points out, to justify this argument, that between 1978 and 1981 British car production costs rose by 31 per cent while German production costs increased by only 10.5 per cent. "The difference is caused by UK inflation and the failure of British industry to match the productivity achieved in Germany."

Redundant Chubb electronic staff offer their services

BY RAYMOND SNODDY

MORE THAN 350 workers of Chubb Integrated Systems, which announced its closure last month, have decied to "offer-for sale" through the columns of the Financial Times.

The men have collected the money to buy an advertisement next week in which they will offer their electronic skills to any company willing to take them on.

They believe they will be able to lease one of the three factories on Chubb's Brighton complex.

Among the workforce, which has been making electronic cash dispenser systems, offering themselves to any management, British or foreign, is Mr Bernard Campbell, general manager, Dr Mike Stephenson, head of research and development, and Mr Stephen Bell, technical manager.

The closure of the Brighton company of Chubb and Son, was announced on November 11. Since Chubb, the security specialists, took over the factories from Gross Cash Registers in 1977, the record has been of cuts and redundancies.

A total workforce of about 3,000 had dwindled to 354 by the final closure.

Electronic cash register manufacture stopped there a year ago and then there were troubles with the remaining main product—cash dispensing systems for banks.

Mr Ronald Daber, formerly works efficiency manager and now chairman of the Joint Union Negotiating Committee, which is trying to find a buyer for the workforce, pointed out yesterday that every one of the 395 cash dispensers ordered by the Svenska Bank, of Sweden, are having to be returned in batches of five to England for modifications.

Mr Daber blamed managerial incompetence for the demise of Chubb Integrated Systems and said he represented an electronically skilled workforce prepared to tackle anything of which they were capable.

At the time of the closure announcement, Mr Edward Weiss, financial director of the Chubb parent company, said that the company had produced a pioneering cash dispenser system but the pressure of competition forced them on to the market sooner than they would have liked.

The cash dispenser subsidiary was losing heavily and Mr Weiss believed it could no longer face up to the majors such as IBM, NCR and Burroughs.

Mr Daber says the workforce have the support of Mr Andrew Bowden, Conservative MP for Brighton Pavilion, and they hope a European or Japanese company might be interested in their skills perhaps for television manufacture.

'If no company "buys" the Brighton workers they will consider setting up a co-operative. Already £50,000 has been pledged from redundancy payments.

Mr Daber pointed out that since 1977, when Chubb took over, labour relations have been good and there have been no strikes.

BR's new train makes the going slightly queasy

By Lynton McLain.

THE advanced passenger train tilted its way into the record books again yesterday with the fastest scheduled run of a British Rail train between Glasgow and London and a new speed record of 137 miles an hour for a British train carrying fare-paying passengers.

Passengers sped between the two cities in 4 hours 13 minutes and 59 seconds

British Rail had planned to start APT services exactly a year ago. Problems with the novel tilting mechanism and the train's conventional brakes forced BR to postpone four successive start dates.

All this was put aside yesterday as most passengers enjoyed the novelty of high speed tilting.

For a few passengers—mostly journalists who had enjoyed a nightcap or two in Glasgow the previous evening—the ride was not so pleasant. At least two were sick.

Mr Ian Campbell, the vice-chairman of BR said BR would soon be asking the Government for the estimated £250m to build 60 APTs.

Decision on aid for private steel soon

BY ALAN PIKE

THE Government will soon announce decisions on financial aid for the private sector of the steel industry, parts of which are in acute difficulty and face an uncertain future.

Mr Patrick Jenkin—who has been actively considering the possibility of an element of financial support to the private sector since he became Industry Secretary—told the Commons yesterday that he would give his response soon.

He said he was convinced the British special steel sector, most of which is in the private sector, had a considerable future. At first sight it was not self-evident that EEC rules meant financial aid should be confined to the British Steel Corporation.

Any British Government aid to the private steel sector is certain to be in return for restructuring and reduction in capacity. A report on the special steel sector earlier this year recommended that its capacity should be halved.

Engineering employers yesterday appealed to Mr Jenkin to press for a postponement of increases in European steel prices

Mr Anthony Frodsham, director general of the Engineering Employers Federation and chairman of the Council of Mechanical and Metal Trade Associations, accused the EEC Commission of effectively seeking to solve the problems of the steel industry by passing them on to the engineering industries.

"As the latter employ many more people in the UK and in the rest of the community than does the steel industry, the net effect is probably to reduce both employment and living standards."

BSC offshoot seeks more funds

BSC (INDUSTRY) has lodged an application in Brussels for a further £10m of EEC funding to develop its new enterprise workshops programme, Sir Charles Villiers, chairman, revealed in Cardiff yesterday.

Sir Charles was speaking at the official opening of BSCI's Cardiff workshops, where 85 units for fledgeling businesses have been established at a cost of £1m on the site of the East Moor's steelworks.

The steelworks were closed three and a half years ago with the loss of over 3,000 jobs. Nearly half the new workshops, in former steelworks offices, are already occupied.

The new EEC funding would be to meet half the cost of BSCI's next phase of development. The industrial diversification arm of BSC has nine workshop complexes in steel closure areas either already established or planned.

250 jobs lost as exports drop

Consolidated Pneumatic, an Aberdeen company, announced yesterday it would lay off 250 of its 350 workforce.

The company, which produces air-powered tools, has ceased production and will now maintain only a sales distribution staff in Aberdeen.

The company statement blamed falling exports for the cut.

Icon sales total £221,565

THERE WERE two good sales at Sotheby's, Bond Street yesterday, icons, which totalled £221,565, and the second part of the Krug collection of glass, which made £311,580.

The top prices among the icons were the £33,000, plus 11.5 per cent in premium and VAT, paid by Van Doren Gallery of San Francisco for a Cretan icon of St George, produced in the late 15th century, and £32,000 from another American buyer for a large icon of the Holy Family, painted in central Russia around 1600. An icon of the 40 martyrs of Sevastos, late 14th century, went for £19,000.

In the glass sale a Japanese buyer acquired a Silesian engraved goblet and cover by Friedrich Winter for £29,000, while a Saxon enamelled Salter's Guild goblet and cover of 1708 went for £25,000.

SALEROOM

By ANTONY THORNCROFT

Leeds Permanent scraps differential mortgage rate

BY MICHAEL CASSELL

DIFFERENTIAL MORTGAGE rates under which borrowers pay higher rates of interest for larger loans, are to be abandoned by the Leeds Permanent Building Society.

The society announced the decision yesterday. It means that among the five largest building societies Abbey National only will charge borrowers more for larger loans.

Abbey National said last week it would amend but not scrap its differential rate system. It is raising the threshold for higher-interest loans to £25,000 and reducing the maximum loading to 1 per cent.

The differential rate system had paid for the cost of more expensive investment schemes. The societies have been forced to abandon or modify the system in response to increasing competition from the banks for mortgage business. The banks now account for more than one-third of the market in net mortgage advances.

Leeds Permanent said yesterday the decision to end all differential mortgage rates would take effect immediately for new borrowers. Reduced charges for existing borrowers would be introduced on March 31 next year.

The society said: "Now, whatever the size of the loan, everyone taking out a repayment mortgage with the Leeds will pay no more than 15 per cent. A borrower with a mortgage of £26,000 repayable over 25 years would have paid 1½ per cent over the base rate. Now he will make a monthly saving of £30.16.

The Leeds said aggressive marketing by the banks had enabled them to make substantial inroads into the upper end of the personal mortgage market. The society's return to a flat mortgage rate would re-establish its competitive position. The Leeds is offering 100 per cent mortgages for applicants wanting up to £20,000, reducing to 95 per cent up to £27,000.

The banks, however, are unlikely to confine their penetration of the mortgage market to the larger end of the business. Until now they have taken most of their customers from this area.

Several banks are now making it clear that having established their mortgage-lending operations so successfully, they will be prepared to make advances of the size which form the bulk of the societies' business.

Tachograph to be enforced

ENFORCEMENT OF the tachograph law which comes into effect at the end of this month would be given no "honeymoon period." Mr Kenneth Clarke, Transport Under-Secretary, said yesterday.

November truck sales edged up

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

REGISTRATIONS of heavy trucks last month were slightly ahead of those for November 1980. It was the first monthly increase since January 1980.

However, the November registrations seem to have reflected the short-lived improvement in demand manufacturers experienced in the late summer. That improvement was halted by the sharp increase in interest rates in September when they went up 4 per cent in less than a month.

It takes some time for improved demand to show up in the registrations figures. Many trucks spend weeks having bodywork fitted after they leave the manufacturer's production line.

Registrations of heavy trucks and artics—those over 3.5 tonnes gross weight—reached 4,056 in November against 3,896 in November 1980, according to Society of Motor Manufacturers and Traders figures.

Yet over the 11 months, heavy truck registrations were still showing a fall of more than 28 per cent down to 41,958 from 58,495.

Other parts of the commercial vehicle market held up reasonably well in November and total registrations were only 2.5 per cent down, from 19,235 to 18,747.

In the first 11 months, registrations at 204,393 were 20 per cent down on the same period last year.

Importers took 33 per cent of the market in November compared with 23.6 per cent in November 1980. In the year so far, the importers' share was 31.8 per cent against 24.6 per cent in the first 11 months of 1980.

The SMMT figures are split into six distinct classes. One sector nearly as depressed as heavy trucks was car-derived vans. In the year so far, registrations are down more than 22.5 per cent from 71,121 to 55,011. In November alone sales fell from 5,461 to 4,831.

Van sales, although bolstered by the efforts of the Japanese who this year have attempted to offset the problems associated with "voluntary" restraint on car sales by vigorous marketing, were 15.5 per cent down in the 11-month period from 109,689 to 92,672. November registrations of purpose-built vans at 8,530 were only a whisker short of the 8,595 for the same month last year.

UK CAR REGISTRATIONS

	November				11 months ended November			
	1981	%	1980	%	1981	%	1980	%
Total UK produced	47,192	44.69	48,807	53.09	630,884	44.17	626,922	42.86
Total imports	58,402	55.31	43,121	46.91	797,408	55.83	835,854	57.14
Total market	105,594	100.00	91,928	100.00	1,428,292	100.00	1,462,776	100.00
Ford	37,000	35.04	29,280	31.85	440,975	30.87	447,041	30.56
BL	16,346	15.48	20,150	21.92	273,157	19.12	264,486	18.08
General Motors—								
Opel	892		1,404		18,438		22,266	
Vauxhall	10,700	10.13	6,356	6.91	101,567	7.11	105,226	7.19
Other GM	43		70		741		970	
Total GM	11,635	11.02	7,830	8.52	120,755	8.45	128,462	8.78
Peugeot Group—								
Talbot	3,665	3.47	6,139	6.67	66,195	4.63	87,508	5.98
Peugeot	1,260		1,213		17,153		23,725	
Citroen	2,077		1,093		26,178		26,388	
Total Peugeot	7,002	6.63	8,445	9.19	109,526	7.67	137,621	9.41
Datsun	4,341	4.11	2,208	2.39	86,059	6.03	91,819	6.28
VAG (VW-Audi)	4,886	4.63	5,061	5.51	77,939	5.46	66,025	4.51
Renault	5,237	4.96	5,576	6.07	69,057	4.83	84,169	5.75
Fiat Auto	4,828	4.57	1,962	2.13	60,363	4.23	50,224	3.43
Volvo	3,646	3.45	2,369	2.58	42,468	2.97	37,018	2.53

Source: Society of Motor Manufacturers and Traders

Universities 'need more time to make cuts'

By Michael Dixon, Education Correspondent

Urgent action by the Government to avert "the imminent risk of university bankruptcies" was called for yesterday by the Commons select committee on education, science and the arts.

Universities should be given more time to make economies, currently scheduled for 1984, or funds to compensate redundant staff, said an emergency report approved by four votes (two Labour, one Conservative and one Plaid Cymru) to two (both Conservative).

But the form of the report showed that the MPs believe the Government should abandon its policy of *requiring universities* to cut their intakes of students.

The first words pointed out that the policy breaks the principle stated in 1963 by the Robbins Committee—which proposed increases in higher education — and accepted at least tacitly by successive Governments ever since.

This principle is that "courses of higher education should be available for all who are qualified by ability and attainment to pursue them and who wish to do so."

The reduction of intakes would mean that in 1990 universities *would have places* for only about 60 per cent of the forecast numbers of qualified entrants, as compared *with 73 per cent in* 1980, the MPs said.

They urged Sir Keith Joseph, Secretary for Education and Science, to review the scheduled cuts in the light of "the comparative costs of maintaining a student at university and an individual on the unemployment register."

The committee was also disturbed by the lack of specified links between the university grants committee, which supervises *the funding* of the 44 UK universities, and the new machinery being set up to supervise higher *education in polytechnics* and colleges maintained by local education authorities.

Expenditure cuts in higher education: House of Commons Paper 82.

Lombard, Page 17

Equipment de-rating boost for Scottish oil industry

BY IVOR OWEN

SCOTTISH INDUSTRIES with outdoor plant, such as the oil and petrochemical industries, are to benefit from a substantial reduction in rates. Mr George Younger, the Scottish Secretary, announced in the Commons last night.

Moving the Second Reading of the Local Government and Planning (Scotland) Bill, he explained that one of its provisions will de-rate external plant in Scotland to broadly the same extent as similar plant is de-rated in England.

Mr Bruce Millan, Labour's shadow Scottish Secretary, warned that the change would cause a dramatic fall in the rate income of Scottish local authorities, possibly as much as £31m, and insisted that the extra burden should be borne by the central Government and not Scottish ratepayers.

"This is a key issue," he declared to Labour cheers.

Mr Younger told MPs that the present statutory definition of lands and heritages, subject to valuation for rating, in Scotland had remained largely unchanged since the turn of the century.

Because of this plant and

Mr George Younger

machinery outdoors was fully rated, *whereas if the same plant* were situated in a building it would usually be free from rates.

Mr Younger stressed that in England and Wales no such arbitrary distinction was drawn.

"This anomaly brings a heavy burden on the oil and petrochemical industries in particular, and could act as a serious disincentive to industrial investment in Scotland."

Mr Younger said that as soon as the powers in the Bill were available to him he would make an order de-rating external plant in Scotland to broadly the same extent as similar plant was de-rated in England.

He refused to anticipate the effect of the change on the rate burden of particular authorities *or industries on the grounds* that it would be wrong to do so before the conclusion of consultations with the convention *of Scottish Local Authorities.*

Discussions had started with all the interests concerned and there would be further consultations on the detatiled provisions which would appear in the order.

Mr Millan calculated that if the deranking provision had been in operation in the financial year due to end in March, the rate poundage in Orkney would have gone up by 97p and that in Shetland by 44p.

"This is quite unacceptable," he said.

More water authority checks

BY GARETH GRIFFITHS

THE Government plans to refer several water authorities to the Monopolies and Mergers Commission *for efficiency audits.* Mr Tom King, the Environment Minister, said yesterday in a comment on the commission's *recent report on the Severn*-Trent Water Authority.

The authority had been criticised by the commission in June over weak central control and the commission concluded that the authority's "course of conduct was against the public interest."

Mr King said he did not intend to take any action against the authority under section 12 of the 1980 Competition Act, which enables him to impose orders on a public body. The Severn-Trent investigation was the third efficiency audit carried out under the 1980 Competition Act.

The Government plans to issue a consultative paper shortly over the future size of the water authorities. The Monopolies Commission criticised the size of the Severn-*Trent authority, which has 43* members, 27 from local authorities and the rest nominated by the environment, agriculture *and Welsh departments.* The report suggested 12 members.

Mr King said the size of management of the 10 water *authorities could not be generalised* from the Severn-Trent example. There is pressure from sections in the water industry and groups such as the Confederation of British Leyland for small managerial boards.

The consultative paper is unlikely to be issued before Christmas. The Environment Department has endorsed the Severn-Trent action plan, announced on November 19, which proposes a smaller labour force and managerial changes, leading to estimated savings of £6.5m in 1982/1983 and £11m by 1986/87. The current operating budget is £160m a year.

Severn-Trent is the second largest authority in population and rateable value, and *serves* 3m people in the East Midlands and mid-Wales. The workforce has been cut by 550 from 11,100 in 1979 and the action plan envisages a similar cut in the next four years.

In its 450 page report on Severn-Trent, the Monopolies Commission said the authority had granted too much auton*omy to divisions and there was* a weakness in the way in which investment proposals were appraised. The authority said yesterday *that reforms were* in hand.

Opposition to the thrust of the Government's announcement on the consultative paper will focus on what some Labour MPs see as a threat to the role of consumers and local authority members being squeezed out of representation in the water industry.

Jenkin rejects Bathgate allegations

By John Hunt, Parliamentary Correspondent

ALLEGATIONS by **Mr Tam Dalyell (Lab West Lothian)** *of impropriety* over the sale of BL's Bathgate tractor plant in Scotland were rejected in the Commons yesterday by **Mr Patrick Jenkin**, the Industry Secretary.

Mr Jenkin recalled during industry questions that Mr *Dalywell spoke in the House* last week about allegations of impropriety.

Mr Dalywell had suggested the transactions involved a "rip off, commercial treachery, and management with their noses in the trough."

"I strongly deprecate that sort of language about what is a straight commercial decision by BL," Mr Jenkin said.

He added that, if the Comptroller and Auditor General, or a select committee of the House wished to investigate the matter, then his department would co-operate fully.

Mr John Stokes (Con Halesowen and Stourbridge) said BL's main task was to make as many cars as possible without production being interrupted by strikes. When that was achieved, the time would be right for further investment.

Mr Jenkin agreed and said the Government was very pleased that the company and its employees had found a solution to the Longbridge dispute and production of cars had restarted earlier in the day.

Mr Stan Orme, Labour's Industry spokesman, said the *cuts in the truck and bus division* of BL had led to widespread redundancies in Scotland, Preston and Wolverhampton. One of the reasons for this had been the cuts in public expenditure, not least among local authorities.

"The Government's policies have a lot to answer for in this regard," said Mr Orme.

Mr Jenkin told him he could not be more wrong. Last week, the Chancellor had announced that expenditure by local autho*rities had* consistently exceeded the targets set by the Government. Next year, local authorities would account for £1.3bn *of the £5bn* of additional expenditure.

The reason for the BL cutback was that the market for 3½ tonne trucks *had halved* from 80,000 to 40,000 and there had been a 35 per cent reduction in the bus market.

"In these circumstances, the company decided they need to check the manufacturing base in order to remain viable and become profitable," he said.

"That is a decision for the management of the company. I don't intend to intervene," he added.

Mr Peter Tatchell and Labour leader Mr Michael Foot leaving their London homes yesterday morning for discussions on left-winger Mr Tatchell's selection as prospective parliamentary candidate for Bermondsey.

Williams likely to speak in public spending debate

BY PETER RIDDELL, POLITICAL EDITOR

MRS SHIRLEY WILLIAMS is expected to try to speak during this afternoon's public spending debate in the Commons for the first time since her victory at the Crosby by-election last month.

She at present has a roving commission over various policy matters, like Dr David Owen and Mr Bill Rodgers, the other Social Democratic Party leaders in the Commons.

Some manoeuvring is now going on about the responsibilities of the SDP leaders following Mrs Williams' victory. Up to now there has been a fairly loose understanding between Dr Owken and Mr Rodgers about speaking on various issues.

Supporters of Mr Jenkins are keen to ensufire that no firm comitents about particular jobs are made before his possible return to the Commons

This issue ties in with decisions which will soon have to be taken about whether to firm up the present general responsibilities of the four leaders outbe taken about whether cPz side the Commons. At present Mr Jenkins is responsible for economic affairs, Mr Rodgers for industrial matters, Dr Owen for foreign policy and defence, and Mrs Williams for home and social policy.

Shirley Williams

These questions have become more pressing as the party's policymaking debate has got under way and there is more of a demand for detailed statements from party leaders.

A variety of sometimes conflicting comments have so far ben made by differing leaders, and there is recognition among SDP MPs that this will have to be tightened up in order to avoid crossed wires.

Government to act on lorry Bill rebellion

By Elinor Goodman, Political Correspondent

THE GOVERNMENT will tomorrow try to head off a potentially serious rebellion on its proposal to increase maximum lorry weight by urging its back benchers at least to allow time for adequate consultations before rejecting the *proposal* outright.

Immediately after Mr David Howell, the Transport Secretary, produced his White Paper on transport last week, it was clear the Government would have major problems in getting the increase in lorry weights through the House.

The proposal is being fiercely resisted and over 30 MPs have reservations about the plan. This means there is a chance that the Government will be defeated and will have to drop the proposal.

The issue has united MPs from rural and urban areas. The whips' problem has been made worse *by the general* discontent in some sections of the Tory Party.

Tomorrow's vote is on a Labour *proposal to oppose any* increase in lorry weights. Many Tories would probably happily agree with this idea, but the Government *whips* have spent the last few days arguing that, once they have heard the other side of the case, they will realise there are positive advantages to the White Paper proposals.

In particular, they have been trying to dispel the idea that an increase in maximum weights automatically leads to an increase in the size of lorries.

Last night, the Government was still working on the precise terms of the amendment to the Labour motion, but it will probably be phrased in terms of allowing time for consultations. This may be enough to satisfy some Tory MPs, but others seem determined to vote against the Government.

No public report on air near-miss

A DEMAND for the report of the investigation into the near miss between a jumbo jet and an aircraft piloted by the Duke of Edinburgh to be made public has been rejected.

The demand came in a Commons written question by Mr Bob Creyer (Lab, Keighley), who wanted to know what action was being taken to avoid a repetition of the incident near Heathrow on November 27.

Mr Iain Sproat, Trade Under Secretary, said: "Statements are given in confidence and contributors are aware that this degree of protection is provided."

Thatcher priorities illuminated in plans for the demise of the Civil Service Department

BY PETER RIDDELL, POLITICAL EDITOR

ALL Prime Ministers tend to take a highly personal view of how the centre of government should be organised. The result has been several changes in the last 20 years involving the departments covering the economy, control of financial resources, and manpower and administrative co-ordination.

Consequently, recent moves involving the splitting up of the Civil Service Department can be seen not only as another step in the longer-term evolution of power within Whitehall but also as a reflection of the priorities of Mrs Thatcher herself.

In Mrs Thatcher's case the decision to allocate control of pay and manpower to the Treasury and personnel and efficiency reviews to a new Management and Personnel Office in the Cabinet Office reflects her emphasis on controlling the size of the public sector and improving the efficiency of Whitehall.

The Wilson era of the mid and late 1960s saw the prevailing mood of mild interventionism and management theory reflected in the creation of the Department of Economic Affairs (in 1964) and the Civil Service Department *(in 1968)*. This was followed by Mr Edward Heath's desire to centralise and streamline through the Think Tank and new super-ministries.

The reasons for the demise of the Civil Service Department are controversial. Some critics have said there was Civil Service obstruction, while others have alleged a lack of political drive on the part of the responsible ministers.

Perhaps the mere passing of time and changes of intellectual fashion are the most crucial factors.

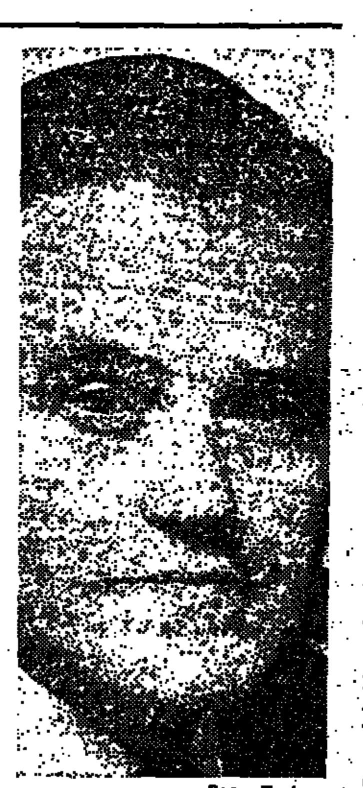
By last year the conventional wisdom in the higher reaches of Whitehall was that the department had run out of *steam.*

There were allegations of too much theory divorced from practice and too much gratui*tous* advice to permanent secretaries on career planning. At the same time the department was criticised for being *insufficiently* vigilant in chasing up internal audit exercises.

By far the most fundamental criticism has been that it was always a nonsense to separate the control of manpower from the control of money. The result was bound to be inefficiency in which targets for cash and for staff numbers were never properly brought together.

"I am not sure that there is an organisation of the centre of government which is universally and for ever right. There are certain jobs which are done from the centre. Those have to be done one way or another and in deciding how to organise the centre to do those jobs, there is a balance of advantage and disadvantage to be struck, and how you strike it from time to time really depends on the policy priorities of ministers of the day."

Sir Robert Armstrong, Secretary of the Cabinet, evidence to the Treasury and Civil Service sub-committee of the Commons, June 1980.



Roger Taylor

A variety of possible solutions have been debated since the issue was first raised in 1976—from a complete merger of the Civil Service Department with the Treasury to the creation of a Bureau of the Budget combining manpower and public spending but separate from other economic management.

Throughout the discussions the Treasury has argued that public spending (plus or minus manpower) should be kept under its wing. This reflects the argument that ministers and officials concerned with spending money should directly face the results of their actions in terms of taxation, interest rates and the City markets.

Mrs Thatcher decided against making any alterations only last February. Her change of heart since then has been attributed by some commentators (and by Civil Service unions) to her irritation with the Civil Service Department's handling of this year's pay dispute.

But this seems to be only part of the story. Within Whitehall, *the explanation is that* last winter the Treasury had too great a load in dealing with public spending to cope with an organisational upheaval. Since then, changes in ministers have also helped to simplify the issue. So with Sir Derek Rayner, the Prime Minister's personal adviser on efficiency, advocating the end of the department, the balance of opinion shifted towards such a decision.

The outcome stopped short of a full merger with the Treasury —partly because of the desire to avoid overloading the Chancellor, or, as critics would say, making the Treasury too powerful.

The move will undoubtedly strengthen the Treasury's control, though it has yet to be decided how spending and manpower will be integrated within the Treasury itself. There is the complication that, by taking in Civil Service pay, the Treasury will itself become a spending department—a supplicant as well as a paymaster.

The changes also strengthen the Cabinet Office—though this has always been the logical home for the machinery of government and personnel issues. As such the moves extend the responsibilities of the Secretary of the Cabinet as a manager as well as a key adviser to the Prime Minister.

It is likely that Sir Robert Armstrong will have to delegate some of his work; at present he submits a personal brief to *the Prime Minister* for the Cabinet and all the committees which she chairs.

The new structure is in no sense a Prime Minister's department—in contrast to the vast offices surrounding the president both in the U.S. and France.

The Cabinet Office is still essentially a secretariat and *there is no attempt to provide* a microcosm of the rest of Whitehall, second-guessing other departments. The new *structure is rather more like* the one chosen in Canada than the frequently quoted but false U.S. parallels.

The most intriguing questions concern the drive to improve efficiency where the new Management and Personnel Office, headed by Mr John Cassels, will work closely with the Treasury.

The aim is to build on the work of the Rayner unit. When the present Government came in there was some scepticism about all the concentration on management and efficiency, but some top officials claim that these doubts have now gone and there is a real commitment to effectiveness and cost-cutting studies.

The emphasis is on encouragement and the provision of expertise *rather than imposition* of standards from the centre. There are, however, plenty of questions about how good intentions in Whitehall can be translated into greater efficiency and better services in a local social security office, as well as about how improved performance can be monitored.

The efficiency drive could, of course, go the way of the management theories of the late 1960s. But for the time being there is clearly more political will and official drive behind the new *structure—that is* until a new Prime Minister with new priorities comes in or new problems appear.

UK NEWS — LABOUR

Gains for moderates in civil servants poll

BY PHILIP BASSETT, LABOUR STAFF

RIGHT-WINGERS in Britain's largest Civil Service union, the Civil and Public Services Association, were jubilant yesterday at the formal announcement that two candidates with moderate support have been elected to two of the union's most senior fulltime posts.

The union's broad left candidate, a supporter of the Labour Party's Militant Tendency, was beaten in polling for the general secretaryship by Mr Alistair Graham, the present deputy general secretary.

Mr Graham and Mr John Raywood, the present assistant general secretary who was elected as general treasurer, both took the opportunity of the announcement of the results to launch a strong attack on the activities of Militant in the deeply divided union.

Militant is thought to command about 200 of the 300-odd places in the central broad left "college," which decides on left approaches to policy issues and such matters as election candidates.

Mrs Kate Losinska, CPSA president, joined the two victors' attack on Militant. It was "quite obvious" that Militant had diverted fulltime organisers "from their usual procedure of subverting the Labour Party, to this association," she said.

The left's candidate, Mr John Macreadie, a CPSA assistant secretary, said the results reflected a considerable vote against the stance taken by the union leadership during this year's 21-week pay dispute.

Full results were:

GENERAL SECRETARY: Mr Alistair Graham, 44,447 (55 per cent); Mr John Macreadie, 28,009 (35 per cent); Mr Kevin Brandstatter, 7,199 (9 per cent). Overall poll: 39.7 per cent.

GENERAL TREASURER: Mr John Raywood, 32,374 (40 per cent); Mr Terry Ainsworth, 29,233 (36 per cent); Mrs Jean Thomason, 12,478 (15 per cent); Mr Jim Sewell, 5,599 (7 per cent). Overall poll: 39.6 per cent.

Mr Raywood is likely to take up his post on January 1, and Mr Graham on June 1, after the present general secretary, Mr Ken Thomas, retires. Mr Thomas will keep the union's TUC General Council seat until September, when Mr Graham is expected to take over.

The union now will hold elections for Mr Graham's and Mr Raywood's posts. Mr Macreadie has told the broad left's national committee he will stand for deputy general secretary, but the left has still to make a final decision. The right's main candidate will be Mr John Ellis, who could benefit from any division in the left vote caused by the candidatures of Mr Peter Thomason and Miss Diana Warwick.

Militant is making a further challenge in the union, this time for the union's presidency. The left is fielding Mr Kevin Roddy, a Militant supporter, and the right's candidate will be Mr Charlie Elliott, from the Post Office group.

Meanwhile, Civil Service union leaders today are expected to approve a common pay claim for this year, expected to be for increases of 13 per cent, supported by a claim for minimum rises of £13.

UNION LEADERS OPPOSE CHANGES IN GENERAL COUNCIL

Rift looms over TUC upheaval

BY JOHN LLOYD, LABOUR CORRESPONDENT

A GROUP of union leaders, mostly left-wingers, have met to co-ordinate opposition to the TUC's conference decision in September to restructure the general council radically.

The union leaders who all expressed bitter opposition to the plan during the conference and afterwards, met two weeks ago under the chairmanship of Mr Alex Kitson, deputy general secretary of the Transport and General Workers' Union.

According to participants in the meeting, no decisions were taken, although all agreed on the need to oppose the decision to restructure the council.

One general secretary said that it was to allow the TGWU—the TUC's dominant union—to assess the extent and depth of the opposition.

If that opposition is to be given organised expression, it is certain to cause a major division in the ranks of the TUC. The motion to restructure the council would give automatic representation to unions with more than 100,000 members. At present, it would favour right-led unions, as well as increasing the representation of public-sector and white-collar unions.

Although most left-led unions voted against it, two major groups—the National Union of Public Employees and the Association of Scientific, Technical and Managerial Staffs—backed it because of the extra representation it is likely to bring them.

The core of support, however, came from centre and right-led unions like the Amalgamated Union of Engineering Workers, the General and Municipal Workers and the Electrical and Plumbing Trades Union. These union leaders, most of whom have been trying to get through the changes for some years, will not concede the battle lightly.

For this reason, the opposition will move at a deliberate pace. The argument is likely to be conducted within the TUC's key finance and general purposes committee, which has the responsibility of bringing up a new structure to fit the general outline of the motion.

A number of those opposed to the restructuring believe that the difficulties inherent in the exercise will mean that any proposals which emerge will be seen to be impractical.

They will also argue that the changes discriminate against smaller unions, will lessen rather than increase democracy within the TUC and will not reflect the broad political views of the unions.

While they believe that membership of the general council could defeat any proposed change, they also recognise the need to bring something forward to the next Congress.

Much pressure is likely to be exerted on Nupe and ASTMS to swing back into the left camp and reverse September's decision.

Proportional representation of the kind proposed in the successful motion—put forward by the Post Office Engineering Union—has been on the TUC agenda for five years.

It would cut down on the numbers of small unions, many of them left-led, and bring in middle-sized unions, such as the POEU, the National Graphical Association and civil servants' and teaching unions.

Bus strike threatened over 'callous' 4% pay offer

BY OUR LABOUR CORRESPONDENT

A THREAT of industrial action on municipal bus services was made yesterday by the Transport and General Workers Union.

Mr Bill Morris, the union's national bus officer, said crews would be told to strike if the employers did not raise a 4 per cent pay offer.

Mr Morris said the offer showed "callous disregard" for the 27,000 bus workers who had "dedicated their lives" to serving the community.

"Four per cent means that busmen will be paid less than toilet cleaners, and that's not on. Unless the employers come forward with a much improved offer, we shall be recommending industrial action," he said.

The union has provided comparative figures on basic rates, which show that conductors and drivers are paid less than school-dinner assistants and toilet attendants.

Mark Meredith in Edinburgh writes: The Union of Shop, Distributive and Allied Workers has launched a campaign against illegal underpayment of workers by high street retailers in Scotland.

Mr John Flood, USDAW deputy general secretary, said as much as £28m could be withheld from workers throughout Britain by shops "fiddling the books." USDAW plans to extend the campaign nationwide.

Mr Flood said at a Scottish delegates conference that the Government was spending more time chasing social security fraud than underpayment. There were 5,500 social security inspectors but only 177 wage inspectors for the whole of the UK.

Blackleg row breaks uneasy peace at BL

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

UNION LEADERS have warned of further unrest at BL Cars, Longbridge plant, Birmingham, in the wake of the four-week stoppage over tea breaks.

Several hundred of the 3,000 strikers reporting for duty on the day shift yesterday held protest meetings over blacklegs. Production of the best-selling Metro was delayed for more than three hours as the men refused to work with colleagues who had ignored the official strike.

Work began after it was agreed to put the issue to the trade unions involved. The usual penalty for "blacklegs" is a fine of perhaps £15 to £30.

Local union officials and senior shop stewards have warned the Longbridge management about the extent of unrest among the workforce.

The Longbridge workers voted on Friday by a majority of only 46 to accept a deal which involves a five-minutes-a-day cut in tea breaks and rest periods.

But the issue that aroused most anger was the requirement that employees on the night shift should work 39 hours a week rather than the 38 hours introduced in 1956. Union officials were standing by last night in case of trouble as workers on the night shift have threatened further action.

The company is not imposing the extra hour on the night shift until next week. Consultations have been promised on the porposed cut in rest periods and productivity improvements necessary to fund the 39 hour week, introduced for day-shift workers in November.

Management is expected to open talks this week with the unions at the other main assembly plant at Cowley, Oxford, where some workers are also expected to protest about any cuts in rest periods.

John Lloyd adds: Shop stewards from Ford plants meet today to draw up strike plans for the New Year. The stewards will issue a leaflet to the 54,000 hourly-paid workers in the company, setting out their objections to the company's conditions on efficiency and calling for industrial action.

A vote on the strike call will be taken at shopfloor meetings tomorrow. Senior stewards believe the workers will turn down the 7.4 per cent offer, already rejected by workers at the Halewood, Liverpool plant.

However, the company believes that only 300 of the 3,000-strong engine plant and 2,500 of the 10,000-strong assembly plant attended the Halewood meeting, held at the weekend.

Ford says the offer is final.

Overtime ban spreads

By Our Labour Staff

Total management is seeking an urgent meeting with Transport Union officials today, following an unexpected escalation of an overtime ban by oil tanker drivers and depotmen last night in pursuit of an 11 per cent pay claim.

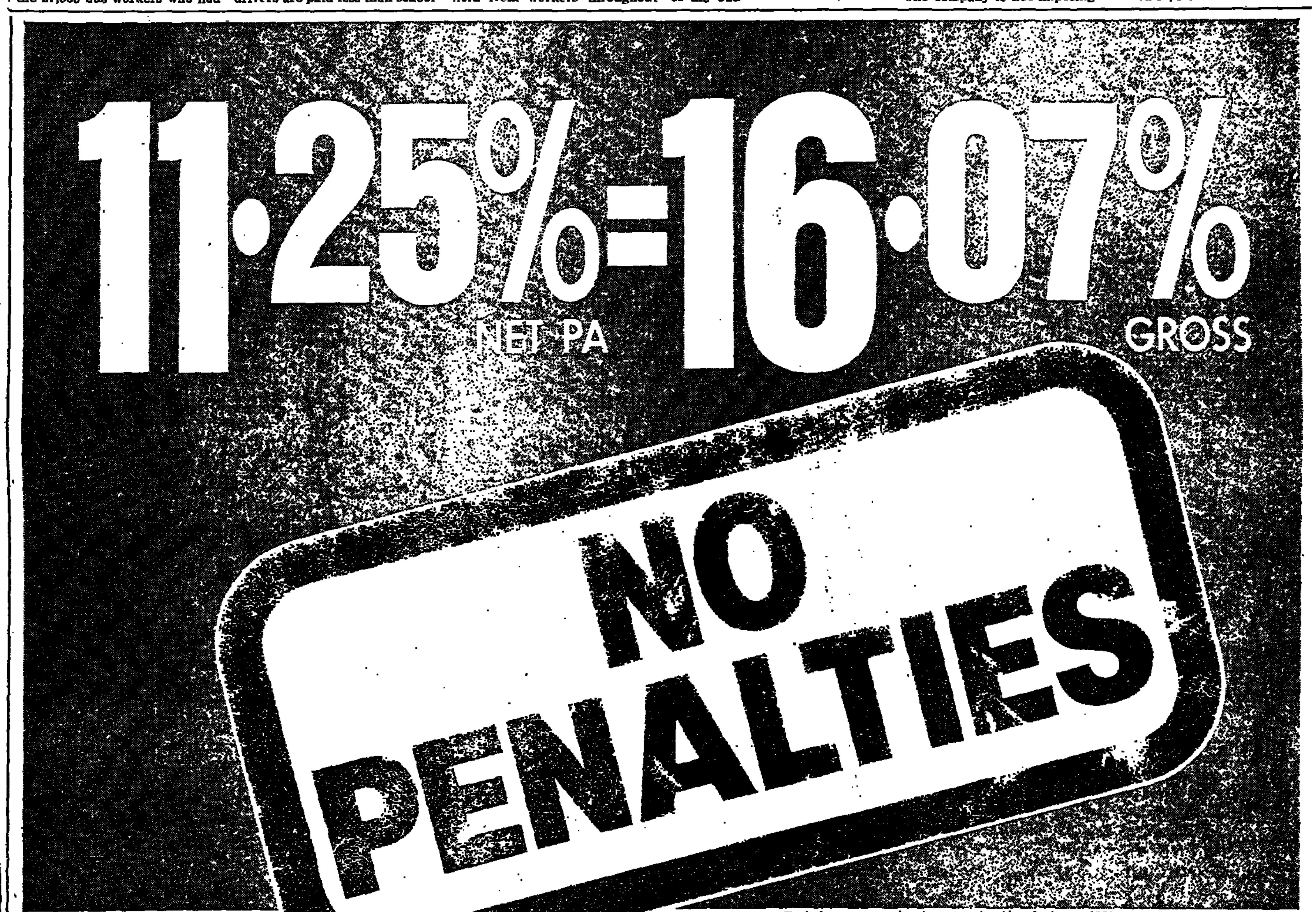
The company had expected its 250 drivers and depot staff based at nine terminals to accept a final offer of 8.1 per cent at mass meetings yesterday. However, 42 workers at the Leeds terminal decided to join 94 staff at Slough and Grays, Essex, in an indefinite overtime ban.

Strike backing

THE six-months-old strike by Liverpool City Council office workers won the backing of thousands of other workers in the city yesterday, who agreed to selective strikes if peace moves fail.

On the market

The 350 workers at Chubb Cash in Brighton will advertise their services in the Financial Times after the security company warned that the factory is to close next year.



THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A small step for one—a big step for another

When the Laird Group backed John Garnett, a new force in the draught-excluder market was born

BIG COMPANIES seldom hand out venture capital to help small businesses get going. Luckily for John Garnett, the £250m Laird Group is a notable exception.

Quietly and unobtrusively—you will not read about it in the group's annual report—Laird has played a major role in the fortunes of Linear Textiles, a new company set up jointly with Garnett in 1979 whose subsequent success is a good example of the entrepreneur's dream come true.

Only three years ago Garnett was a somewhat disgruntled *senior UK executive with* Schlegel Corporation, a U.S. multinational with interests in engineering components and industrial textiles. His new role today as chairman of the fast growing Linear Textiles has *freed him from what he clearly* felt was too tight an administrative straitjacket.

Frustrated

For Laird, the investment is essentially opportunistic, rather than part of a planned policy of small joint venture deals. Nevertheless, while Linear may never make a dramatic impact on the giant engineering group's *profits, it is seen as a* relatively cheap and efficient way into a new area of technology. And as things have turned out, the technology has recently given Laird the opportunity to move into new markets.

With typical Yorkshire bluntness, Garnett says of his days with the U.S. multinational: "For some time I had been getting increasingly frustrated by Schlegel's centralised management style and for some time they had been fed up with me. When they suggested that it might be a good idea if I looked around for a new job I realised that I had no future there."

The timing of his departure was determined largely by an injury sustained by his wife, who ran the family's 100-acre farm. He left Schlegel to take over the running of the farm, though he is under no illusions that he was pushed out. "Without that pressure," he says, "I might still be there today."

It was during the subsequent six months that the idea of branching out on his own became a serious proposition. At Schlegel, Garnett had helped the U.S. group establish a dominant UK position in the small, highly specialised, but richly rewarding pile weatherstripping market. And it was in this market that he saw his chance.

Based on his experience and knowledge of this business—estimated to be worth about £3m to £4m in the UK—Garnett was convinced that, given the right quality and service, it was possible to *establish a second* major supplier to the UK market, and most importantly, one linked to a UK manufacturing base (Schlegel's products are imported from the continent and Ireland).

His search for a backer had no sooner started than he met John Gardiner, chief executive of Laird.

The circumstances of their meeting were bizarre—a sort of "blind date" set up by the head of Laird's German subsidiary who knew Garnett as a competitor in his Schlegel days. The outcome was a marriage which neither party now regrets.

Gardiner agreed to match every Garnett pound with one of Laird's and the two sides put up £75,000 capital each for an equal share of the equity (Garnett and his wife decided to sell the farm to raise his capital). At the end of a few weeks of legal comings and goings Linear Textiles was finally born.

From what was virtually a standing start in November 1980 turnover is currently running at a monthly equivalent of £1m a year, profits have more than wiped out start-up costs and if Garnett's estimate is correct, Linear has already grabbed a 30 per cent share of the market.

The company has recently arranged major new medium term facilities with Barclays to finance an export drive and is shortly moving into larger premises near its present site at Newton Aycliffe, County Durham.

The most tangible benefit of Laird's "big company" backing has been financial strength. Besides guaranteeing 80 per cent of the initial bank loans it proved a particularly valuable partner in the first few months. Garnett's heart no doubt missed a few beats as his £75,000 was quickly swallowed up — Gardiner, on the other hand, was able to take a more sanguine view of the inevitably high development costs.

Woven pile weatherstripping is used by manufacturers of aluminium doors, windows and double glazing units. It looks like nothing more than a bit of fluff stuck to long strips of polypropylene, but as Garnett says with conscious understatement, "there is rather more to it than that."

Quality

Weatherstripping acts not only as a seal but helps to stabilise sliding sashes and provides a low frictional surface. *Its cost as a proportion of a* finished door or window may be low but its contribution to the efficiency of these products can be significant.

"Quality in this business is absolutely vital," says Garnett. "When I set out I had the advantage of knowing exactly what I wanted but I knew we would need time and money to get there.

"The first thing we did was to go to the British Standards Institution and get them to build us some testing equipment. The next few months were spent developing our machines and improving their specifications until we were absolutely satisfied that they were up to the right standard. I did not want to go to the market, and alert the competition until I *was absolutely sure that we had* got it right. Too often products are developed which have to be significantly modified later."

Hugh Routledge

Since setting up Linear Textiles with the backing of the Laird Group, John Garnett reckons he has captured 30 per cent of the pile weatherstripping market

Laird's strength and reputation were particularly important for a company like Linear Textiles which was taking the unusual step of attempting to break a large group's stranglehold on a relatively small market. "If I had been setting up as a printing business," Garnett points out, "nobody would have taken much notice. In such a large and fragmented industry I would hardly have made much impact."

A newcomer to the woven pile weatherstripping business, however, does not go unnoticed. "There has obviously been considerable pressure from Schlegel which I'm sure we would not have been so easily able to withstand without Laird's backing. It was psychologically important that our competitors knew that we had a big company as partner and that short term measures would not get rid of us."

Both shareholders agree that a key factor in Linear's success *has been Laird's "hands off"* management style. Within Laird it is well known that divisional managers enjoy considerable freedom to run their operations and have to put up with minimal interference from the slimly manned head office team, Gardiner was determined to follow this philosophy with his fledgling partner. "Obviously we went through figures but I basically backed John Garnett because I thought he was a good bloke who knew what he was talking about.

"The important thing for me was *his 100 per cent commitment.* He put just about everything at risk and once I was satisfied with his plan I knew he would fight like hell for himself and thereby for Laird. If the business failed, he was *cutting his own throat.*"

Resources

Adds Gardiner, "I made it quite clear that I didn't want *him reporting ad nauseam* to head office. This would not only have restricted him but defeated our objectives at Laird of trying to make more money from more businesses without overstretching our head office resources."

Gardiner and Garnett, of course, meet regularly in London (and the latter's contact has always been at the top) but otherwise Laird has largely left Linear alone — until recently no senior executive, for instance, had ever been to the Newton Aycliffe site.

This "laissez faire" philosophy should not disguise the contribution to Linear of *Laird's operational expertise.* "When John Garnett wants to expand a particular area of his business he comes to chat with me and quite often other managers in the group. The input he gets may seem limited but it is significant in terms of encouragement and ideas. Our people out in the field know at first hand what the problems are in, say, getting into an export market or buying a new machine. This is a dimension which no bank or venture capital group can offer".

Garnett, if you like, has also *taught Laird a thing or two.* Thanks to Linear's success and John Gardiner's enthusiasm for its product, Laird recently agreed to buy Amesbury Industries, Schlegel's main U.S. pile weatherstripping competitor. A *joint assault on the U.S. market* will soon be under way.

Gardiner, meanwhile, is coy about future joint ventures of the Linear Textiles type, pointing out that they are not Laird's main business. Before Garnett walked into his life Gardiner had backed one other individual in a similar project but this failed through lack of personal commitment.

"Linear Textiles has worked out extremely well but everything was going for it," says Gardiner. "John Garnett has been an ideal partner. He is well aware of both the advantages and limitations of big company information and *reporting procedure and his* aims at the outset were clear. If another John Garnett walks through the door in future, we will certainly back him."

Gardiner also believes other big companies could consider similar ventures "where the circumstances are right." The case of Linear Textiles provides a lesson for the many large companies which have rushed to back enterprise agencies *with what amounts sometimes* to little more than "conscience" money. A sound commercial approach, where both sides are in it for naked financial gain, may well pay better dividends in the long run.

Meet the buyers

PURCHASING specialists at Whitbread are "technological morons," David Sheridan, the *giant brewing group's* specialist director, purchasing, admitted at a recent session for small business organised by the London Enterprise Agency (Lenta).

This unusually frank example of corporate self assessment was not intended as a slight to his own staff but as an explanation of why salesmen from small companies may be redirected to a technical expert.

"Small companies usually have to get over a technological hurdle when trying to sell a new product," said Sheridan. "The people in my department are good at tackling the commercial and financial side but it would be a waste of time to go into great detail where the product is concerned. If we refer small businessmen to a technical department it does not mean we are not interested."

Both Sheridan and another speaker, Graham Dunscombe, group buyer-negotiator for Chef and Brewer, the Grand Metropolitan managed house subsidiary, stressed that their views were personal.

Dunscombe, who has been in his role for five *months,* offered a list of do's and don'ts

- Do concentrate on quality and service—price is irrelevant if these factors are ignored.
- Do remember to provide "*after care*" service and maintenance, where appropriate. In his experience, some companies have gone out of business for overlooking this point.
- Do stick to the purchase and delivery date—big groups can change suppliers as often as most people change their socks.
- Do not cut prices just to become a supplier. "I have seen small firms go out of business as a result."
- Do not drop names (*e.g.* "I am a personal friend of Sir Maxwell Joseph" will not get you anywhere).
- Do not commit yourself to orders which you cannot supply — goodwill invariably suffers.
- Be prepared to take "No" for an answer.

What's on at the CBI

- Sonia Elkin, small firms director of the Confederation of British Industry, has been appointed a member of the Manpower Services Commission. She is the second small firms expert to be nominated by the CBI for a seat on a major Government organisation.

Last month Jeremy Pope, chairman of the CBI's smaller firms council, was given one of the confederation's seats on the National Economic Development Council. Pope, who is finance and planning director of Eldridge Pope, the Dorchester brewers, is believed to be the first small firms' representative to be appointed to the NEDC.

- The CBI has asked the Industry Department to "publicise in down to earth terms" the regional incentives it provides for companies.

In a report to the department *on the contribution* smaller businesses make to the achievement of the Government's regional policy, the CBI says that in general smaller businesses enjoy "fair access" to incentives. But more publicity is needed.

The report also asks whether the Government could bend its rules which ban retrospective payment of regional grants. Small businessmen who do not claim grants on time through ignorance of what is available, could then claim the aid later.

A creditor's nightmare

The director of a small firm (Name: Smith) kept waking up one night in a cold sweat, worrying about the £10,000 he owed his next-door neighbour (*a creditor named Robert*). "I can't afford to pay, I can't afford to pay," he moaned to his exasperated wife. After this had happened a few times, the good lady's patience finally snapped. She got out of bed, went to the window and shouted at the top of her voice, "You know that £10,000 my husband owes you, Robert. Well, I'm telling you this, there is no way he can afford *to pay.*"

Astonished by this display Smith asked his wife what had prompted the outburst. Came the reply, "Now we can have a decent night's sleep and he can stay awake all night worrying."

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FT COMMERCIAL LAW REPORTS

No tax avoidance by artificial transactions

INLAND REVENUE COMMISSIONERS V. BURMAH OIL

House of Lords (Lord Diplock, Lord Fraser of Tullybelton, Lord Scarman, Lord Roskill, Lord Brandon of Oakbrook): December 3 1981

WHERE A taxpayer enters into transactions which have no commercial purpose apart from tax avoidance but which satisfy statutory requirements for exclusion from liability, the court's approach in determining liability will be to disregard any artificial steps taken and to consider the reality of the end result of the scheme.

The House of Lords so held when allowing an appeal by the Inland Revenue Commissioners from an interlocutor of the Court of Session as the Court of Exchequer in Scotland. The Court of Session had upheld a decision by the Special Commissioners allowing an appeal by Burmah Oil Co. Ltd. (Burmah) against a corporation tax assessment of over £3m.

* * *

Section 22 (4) of the Finance Act 1965 provides: ". . . a person's acquisition of an asset . . . shall . . . be deemed to be for a consideration equal to the market value of the asset . . ."

Paragraph 4 of Schedule 7 to the Act provides: "(1) . . . (a) References to a reorganisation of a company's share capital include—(i) Any case where persons are . . . allotted shares in . . . the company in respect of and in proportion to . . . their holdings of shares in the company . . . (2) . . . a reorganisation . . . of a company's share capital shall not be treated as involving . . . any acquisition of the new holding or any part of it . . ."

*

LORD DIPLOCK said that the only real asset involved in a whole series of transactions was Burmah's holding of BP shares. It transferred the shares to its subsidiary, OMDR Holdings Limited (Holdings) at market price, and subsequently transferred them back again at a time when the market price had fallen. As a result entries in the books of both Burmah and Holdings showed an unsecured indebtedness by Holdings to Burmah of about £160m. Since Holdings had no assets it was insolvent to the extent of that sum. A bad debt which was not a debt on a security was not a deductible loss for the purpose of capital gains tax, so a scheme was devised to convert the debt into a deductible loss.

The essence of the scheme was that Burmah, who was the beneficial owner of all the shares in Holdings, should subscribe £160m fo a rights issue of fresh shares in Holdings, thus putting it into a position to make a declaration of solvency and to go into liquidation. The £160m was the subject of two circles of book entries in the course of which Holdings's £160m indebtedness to Burmah was transmogrified into a loss of the same amount upon the realisation of Burmah's shares in Holdings when it went into voluntary liquidation.

The case fell within the principles in *W. T. Ramsay Ltd v IRC [1981] 2 WLR 449*. That case marked a significant change in the approach adopted by the House of Lords to a pre-ordained series of transactions (whether or not they included the achievement of a legitimate commercial end), into which there were inserted steps that had no commercial purpose apart from the avoidance of tax liability.

The kinds of tax-avoidance scheme that had occupied the attention of the courts in recent years involved interconnected transactions between artificial persons, without minds of their own, but directed by a single master-mind. In the present case Burmah was the master-mind, and the character of the tax avoidance scheme was such that, taking the approach sanctioned in *Ramsay*, their Lordships were entitled to ignore the intermediate circular book entries and to look at the end result. That was that Burmah wrote off Holding's indebtedness by providing it with £160m, ostensibly in the form of fresh capital, and the real loss sustained by Burmah was of a debt which was not a debt on a security.

*

LORD FRASER said that the question was whether Burmah, when computing the allowable loss arising from the disposal of its Holdings shares on the liquidation of Holdings, was entitled to deduct in addition to the cost of acquiring the original shares, the £160m paid for the new shares.

There were two issues. The first was one of construction of the statutory provisions relating to corporation tax arising out of capital gains. The Inland Revenue contended that Burmah "acquired" the new shares, and that under the terms of section 22(4) of the Finance Act, 1965, consideration for the shares must therefore be deemed to be an amount equal to their market value, and not the sum paid for them in cash.

The rights issue by Holdings was a "reorganisation" of its capital within the meaning of paragraph 4(1) of Schedule 7 to the Act, and so the effect of paragraph 4(2) was that the allotment of new shares in Holdings to Burmah was not to be treated as involving an "acquisition" under section 22(4) of the Act. Accordingly, the Inland Revenue's contention based on the construction of the statute, failed.

If the matter rested there the appeal would be dismissed. However, the second issue was whether the transactions, which on the face of them resulted in an allowable capital loss, should be disregarded as artificial.

In *Ramsay* Lord Wilberforce said at page 426 that it was "candidly, if inevitably, admitted that the whole and only purpose of each scheme was the avoidance of tax." The same admission was made in the present case, and the same adverbs applied. At page 459 he said: "The capital gains tax was created to operate in the real world, not that of make-belief . . . it is a tax on gains . . . it is not a tax on arithmetical differences. . . ."

In the present case the purpose of the scheme was to convert a non-allowable loss into a loss that would be allowable as a deduction for capital gains purposes. There was no real loss in the sense contemplated by the legislation. The appeal should be allowed.

*

LORD SCARMAN, agreeing, said that it was of the utmost importance that the business community and their advisers should appreciate that *Ramsey's case* marked a significant change in the approach adopted by the House in its judicial role towards tax avoidance schemes.

Lord Roskill and Lord Brandon agreed that the appeal should be allowed.

For the Inland Revenue: The Lord Advocate (Lord Mackay of Clashfern QC), Robert Carnwath and A. C. Hamilton (Inland Revenue Solicitor, England, agent for Inland Revenue Solicitor, Scotland).

For Burmah: D. C. Potter QC and W. D. Prosser QC (Allen & Overy, agents for Miller Thompson Henderson & Co., Glasgow, and Laing & Motherwell, Edinburgh).

By Rachel Davies
Barrister

A book to put racing fans in the picture

RACING
BY DOMINIC WIGAN

WITH CHRISTMAS just a fortnight away anyone still pondering over a present for a racing friend could do far worse than consider Ed Byrne's Racing Year.

Published by Trainers Record this volume contains the pick of about 10,000 photographs taken by Byrne during the 1980-1981 Jumping season and in the course of the 1981 Flat campaign.

Some of the photographs have been published in the principal racing publications but many are sure to come as a welcome surprise.

In shots which capture almost every aspect of the racing year, Byrne succeeds in bringing to life such highlights of the calendar as the drama of Aintree, the excitement of Epsom and, perhaps, best of all, that extraordinary spectacle, Royal Ascot.

Ed Byrne's Racing Year has almost 200 pages and comes in a choice of bindings. Of its 400 or so photographs most are in colour and printed on high quality paper. There will be 1,400 copies in its limited edition in the standard binding and also 100 copies in a leather bound de luxe edition.

The book, which contains photographs up to October 24 of this year can be obtained from Trainers Record, Melplash, Bridport, Dorset DT6 3UH, or from Turf Newspapers, who, in addition to their racecourse kiosks, have a shop at 55 Curzen Street, London, W1. Another shop from which Ed Byrne's Racing Year is available is J. A. Allen at 1 Lower Grosvenor Place, London SW1.

The late Fred Rimell's wife, Mercy, escaped with only bruising after being involved in a car crash on her way to Nottingham races yesterday. Her jockey, Sam Morshead, who was beside her, also avoided injury, but in the circumstances it was decided not to saddle Royal Mere in the opener.

LEICESTER

12.30—Rushmoor**
1.30—Leading Artist
2.00—Polar Express
3.30—Cima**

SEDGEFIELD

2.45—Mr Snugfit*
3.15—Lana's Secret

TELEVISION

Chris Dunkley: Tonight's Choice

Tonight promises the best television for ages. The Ritz on BBC-1 is the second documentary this month from Edward Mirzoeff. "The Englishwoman And The Horse" was also his. Tonight's programme attempts a profile of the famous London Hotel, behind the scenes as well as in the public rooms.

BBC-1's 2½-hour "Play For Today" is United Kingdom, written by Jim Allen (who wrote "Days Of Hope") directed by Roland Joffe (who directed "The Spongers") produced by Ken Trodd (who produced many Dennis Potter plays) and starring Colin Welland as a chief constable faced with trouble on the streets. Judging by track record and the grapevine this one should be properly worrying stuff. So too by all accounts is Warming Warning, an ITV documentary by Richard Broad about increased carbon dioxide from the fossil fuels we burn creating a "greenhouse effect" in the atmosphere and melting the Antarctic ice sheet.

BBC 1

9.05-9.30 am Heute Direkt. 12.30 pm News After Noon. 1.00 *Pebble Mill at One.* 1.45 Over the Moon. 2.00 Rugby Union: 100th University Match — Oxford v Cambridge. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 The Drak Pack. 5.00 John Craven's Newsround. 5.10 Codename *Icarus.*

5.40 News.
6.00 Nationwide (London and South East only).
6.25 Nationwide.
6.50 Angels.
7.15 The Rockford Files, starring James Garner,
8.05 The Ritz with John Pitman: A candid look at a day in the life of a grand hotel.
9.00 News.
9.25 Play for Today: "United Kingdom."
11.55-12.00 News Headlines.

BBC 2

11.00 am Play School.
3.55 pm Antiques Roadshow.
4.35 Everybody's Doin' It.
4.55 In Search of . . . Eric Bloodaxe.
5.40 Daredevils of the Red Circle.
6.00 Grange Hill
6.25 The Waltons.
7.10 News Summary.
7.15 A Question of Equality.
8.00 Top Gear.
8.30 Russell Harty.
9.00 The Last Song.
9.30 Your Life in Their Hands.
10.00 Arena.
10.45-11.35 Newsnight.

LONDON

9.30 am Cities. 10.20 Young Ramsay. 11.05 Welcome Back, *Kotter.* 11.30 The Further Adventures of Oliver Twist. 12.00 Rod, Jane and Freddy. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Armchair Thriller. 2.00 After Noon Plus. 2.45 Rumpole of the Bailey. 3.45 Emmerdale Farm. *4.15 Pests for* Guests. 4.20 Get It Together. 4.45 Ace Reports with Steve Sheen, Jim Sweeney, Stephanie Laslett and Paul Henley. 5.15 Coronation Street.

5.45 News.
6.00 Thames News.
6.20 Help! with Viv Taylor Gee.
6.30 Crossroads.
6.55 Reporting London.
7.30 World's Strongest Man.
8.30 Cowboys.
9.00 Brideshead Revisted.
10.00 News.
10.30 Warming Warning.
11.30 Paris.
12.25 am Close: "Sit Up and *Listen,*" with Lord Soper.

† Indicates programme in black and white

All IBA Regions as London except at the folowing times:

ANGLIA

9.30 am Sesame Street. 10.30 Hands. 10.55 Cartoon Time. 11.15 Pro-Celebrity Ten-Pin Bowling. 12.30 Gardening Today. 1.20 Anglia News. 5.15 The Gaffer. 6.00 About Anglia. 7.00 Byannes. 10.30 Coronation Street. 11.00 Warming Warning. 11.30 A New Kind of Family. 12.30 am These Are My Little Ones.

ATV

9.30 am Larry the Lamb in Toytown. 9.45 The Wild, Wild World of Animals. 10.10 Young Ramsay. 11.00 Sesame Street. 12.30 pm Gardening Today. 1.20 ATV News. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 The Gaffer. 11.30 ATV News. 11.35 Barney Miller. 12.05 am Something Different.

BORDER

9.30 am Thunderbirds. 10.20 Alphabet—Story of Writing. 10.45 Friends of My Friends. 11.10 Nature of Things. 1.20 pm Border News. 5.15 Mork and Mindy. 6.00 Lookaround Tuesday. 7.00 *The Gaffer. 10.30 Coronation Street.* 11.00 Warming Warning. 12.00 Border News Summary.

CHANNEL

12.30 pm Election '81. 1.20 Channel Lunchtime News, What's On Where and Weather. 6.00 Channel Report. 7.00 Survival. 10.28 Channel Late News. 11.30 A New Kind of Family. 12.00 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.40 am First Thing. 9.45 Call It Macaroni. 10.05 Alphabet—The Story of Writing. 10.35 Wild, Wild World of Animals. 11.00 Cities. 11.50 Halas and *Batchelor. 12.30 pm Gardening Today.* 1.20 North News. 5.15 The Gaffer. 6.00 North Tonight. 7.00 Diff'rent Strokes. 10.30 Coronation Street. 11.00 Warming Warning. 12.00 The Jazz Series—featuring the George Coleman Quartet. 12.30 am North Headlines.

GRANADA

9.30 am The Undersea Adventures of Captain Nemo. 9.35 Circus. 10.00 Spiderman. 10.20 A Big Country. 10.50 European Folk Tales. 11.00 Sesame Street. 1.20 pm Granada Reports. 5.15 Diff'rent Strokes. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 The Gaffer. 10.30 Coronation Street 21st Birthday Celebrations. 11.00 Warming Warning. 12.00 George Hamilton IV.

HTV

9.45 am Beachcombers. 10.10 Larry the Lamb. 10.20 Spiderman. 10.40 Thunderbirds. 11.30 Paint Along with Nancy. 12.30 pm Gardening Today. 1.20 HTV News. 5.10 Ask Oscar! 5.20 Crossroads. 6.00 Report West. 6.30 Islands of the Severn. 7.00 The Gaffer. 10.28 HTV News. 10.30 Coronation Street Birthday Special. 11.00 Warming Warning. 12.00 The Medicine Men.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Y Llysiau Lion. 4.15-4.45 Camigam. 5.10-5.20 Early to Bet. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Gorau Gwerin. 11.15 Coronation Street. 11.45-12.15 am Survival.

SCOTTISH

9.30 Coral World. †10.20 Tuesday Matinee: "Judgment Deferred." 11.50 Abigail. 12.30 pm Gardening Today. 1.20 News and Road and Weather. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take The High Road. 10.30 Coronation Street Birthday Special. 11.05 Warming Warning. 12.00 Late Call. 12.05 am Going Out.

SOUTHERN

9.30 am Lost Islands. †9.55 "The History of Mr Polly," starring John Mills. 11.30 Out of Town. 1.20 pm Southern News. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 6.30 Survival. 7.00 The Gaffer. *†10.30 Coronation Street. 11.00 Warming Warning.* 12.00 A New Kind of Family.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Our Incredible World. 9.55 Kum Kum. 10.20 Morning Movie: "Prelude to Fame." 11.50 European Folk Tales. 1.20 pm North East News and Lookaround. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 The Gaffer. 10.30 North East News. 11.30 Going Out 12.00 The Bible.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 The Gaffer. 10.29 Ulster Weather. 11.30 Bedtime.

WESTWARD

9.35 am Untamed World. 10.00 George Hamilton IV. †10.25 Laurel and Hardy in "The Editor." 10.45 Kosciusko: The Cruel Country. 11.50 Sally and Jake. 12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 *Westward News Headlines.* 6.00 Westward Diary. 7.00 Mark It. 10.32 Westward Late News. 11.30 A New Kind of Family. 12.00 Faith For Life. 12.05 am West Country Weather.

YORKSHIRE

9.30 am Larry the Lamb. 9.40 Focus on Wildlife. 10.05 The Beachcombers. 10.30 Story Hour. 11.30 Out of Town. *11.55 Wattoo Wattoo. 12.30 pm Paint* Along with Nancy. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Emmerdale Farm. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 The Gaffer. 10.30 Coronation Street Birthday Special. 11.00 Warming Warning.

RADIO

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett 3.30 *Steve Wright. 5.00 Peter Powell.* 7.00 John Lennon (1940-80) second of a five-part tribute. 8.00 David Jensen. 10.00-12.00 John Peel.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). *5.45 News: Sport. 6.00 Don Durbridge* with Much More Music (S). 8.00 Hubert Gregg says I Call it Style (S). 9.00 Listen to the Band (S). 9.30 The Guitarist Entertains (S). 9.55 Sports Desk. 10.00 The London Palladium Story. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: Arne and Boyce (S). 10.00 Amphion String Quartet (S). 11.10 The Lied Before Schubert (S). 11.55 Vienna *Festival 81: Mozart concert by the* Vienna Philharmonic Orchestra, part 1 (S). 1.00 pm News. 1.05 Six Continents. 1.25 Vienna Festival 81 concert, part 2 (S). 2.00 Bach Harpsichord Music (S). 2.45 Youth Orchestras of the World (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 The Price of Victory. 8.00 *A Johann Strauss Evening: Music by* Johann Strauss (son) from the Royal Festival Hall, part 1 (S). 8.40 Phyllis and Ogden. 9.00 A Johann Strauss Evening, part 2 (S). 9.45 Franz Schmidt: The Later Years (S). 10.50 Apocryphal Stories by Karel Capek. 11.00 News. 11.05-11.15 Josef Strauss.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Quote . . . Unquote (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 *Woman's Hour. 3.00 News.* 3.02 Tom Jones by Henry Fielding (S). 4.00 Kenneth Matthews Looks Back. 4.15 Piloting the Suez Canal. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News. 6.30 Top of the Form. 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 The Great Rates Row. 8.35 Antony *Hopkins (S). 9.05 In Touch. 9.30* Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Wrinkles (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

THE ARTS

Ballet in Moscow

by FREDA PITT

A week in Moscow devoted primarily to ballet-going began auspiciously on November 25, with Ludmilla Semenyaka as Princess Aurora in *The Sleeping Beauty.* She replaced Natalia Besmertnova at the last moment (without any reference or announcement being deemed necessary), just as two evenings later Alla Mikhaltchenko and Valery Anisimov replaced Maximova and Vasiliev in *Don Quixote* at the Palace of Congresses.

Like Clement Crisp, I had not seen Semenyaka since she appeared in Paris in 1977 in Act 2 of *The Nutcracker*, so I was delighted by this cast change, particularly as she proved an exquisite Aurora. Though so slight in build, she has a rock-like strength in her back, and feet of steel, with exceptional clarity and precision in all her movements, but without the hardness that overtakes so many Soviet ballerinas. She performed swift, high jumps in Act 1; she had admirably high leg extensions (if not the shoulder-high ones of her "rival" Nina Semizorova), excellent *équilibre*—as she showed by sailing through the Rose Adagio; she turned superbly, and she was as lovable as Aurora should be, though her smile was a shade too wide for a princess.

Aleksandr Bogatyriov partnered her impeccably and had the requisite noble air, though he danced correctly rather than excitingly, with little elevation. Tatiana Golikova did not possess quite the ideal Kirov-style graciousness in the role of the Lilac Fairy, but she danced her extended role with charm as well as immaculate technique. It made a change to see a youthful and agile Catalabutte.

Apart from the irrelevantly interpolated Act 2 solos for the Prince that we had already seen in Paris, Yuri Grigorovitch has manipulated *Sleeping Beauty* less than other works. One of his virtues is to bring out very clearly the struggle between good and evil, even if Carabosse (Yuri Vetrov) tended to seem comic rather than sinister until the final defeat.

In Act 1, after approaching Aurora in the guise of a nun, he/she vanished quite satisfactorily through a trap-door, but the smoke that followed was as inaccurately placed as at Covent Garden. The unusual depth of the Bolshoi stage encourages grandiose stage effects, but it also imposes problems. On the one hand, the forest grew up convincingly, and the prince's voyage in the Lilac Fairy's boat (with the music taken at a rather lagging tempo), was very smoothly managed with a long and effective, if rather unimaginative, perspective of trees.

On the other hand, the stage was so overfilled with dancers, including 24 children, in the Garland Dance that it appeared cluttered, and the overall pattern became confused. In the Prologue, most of the fairies suffered from a somewhat anonymous air, and their technical prowess varied considerably. In Act 3, only the Grand Pas de Deux was worth the delay of a third interval.

The concluding fish dives were not "dives," as Semenyaka landed much higher than we are used to, but she maintained her sparkle right to the end of the tricky coda. *Bluebird* turned out a disappointment, with A. N. Vetrov correct but dull and with little elevation, and Adirkheyeva barely adequate as Princess Florine. Cinderella and her Prince were the only guests at the wedding (officiated by the Lilac Fairy) unfamiliar to us.

The next evening we underwent the discomfiting experience of sitting through a production of *Romeo and Juliet* at the Olympic Theatre in which the only acceptable ingredient was the orchestra's playing of the score (conductor Alexei Vinogradov) despite a limited number of players. Natalia Kasatkina and Vladimir Vasiliov have made a version for their young company that in its lack of clarity and dignity plumbs depths that are occasionally almost hilarious.

One of the moments that left me open-mouthed in incredulity occurred when Lord and Lady Capulet (both young and both shown as having lovers) indulged in a bout of face-slapping. In this production everyone dances, including Friar Laurence — performed rather well by a dancer I cannot name, since no cast-list was available.

Everybody seemed to be on stage nearly all the time, with no repose of any kind. Thus, Juliet came on before Tybalt died, and Friar Laurence popped up all over the place. Galina Skuratova might make a passable Juliet in a less tasteless production, and S. Isayev a pleasant Romeo. As a dancer of temperament, the strongest impression was made by the fiery Tybalt. In general, the experience was so exasperating that I constantly wished myself at the Stanislavsky Nemirovitch-Dantchenko Theatre instead, to add another *Paquita* to my collection.

The following evening I gave up *Don Quixote* for Maya Plisetskaya's *The Seagull*, which she had made to measure to indulge herself in the role of Nina, a rather daring choice: when Yvette Chauviré appeared in an Italian ballet on the same theme a few years ago, she took the role of Madame Arkadina, which would seem more appropriate.

However, time seems to stand still for Plisetskaya, who looked positively girlish in the four deceptively simple costumes created for her by Pierre Cardin. I am sure that such chic had not been seen before on Bolshoi stage.

The ladies of the corps de ballet who appeared as Tchehov's audience in the interludes wore eye-catching black and white dresses of great elegance, and Madame Arkadina's cream and slate-grey dresses were both ravishing. Plisetskaya's short two-act ballet attempts the mood rather than the events of the play, with the characters rarely emerging from a frozen group, with the exception of Plisetskaya and Bogatyriov in the role of Konstantin, in which he looked attractively boyish.

Having had to relinquish the role of Odette-Odile, Plisetskaya has transferred from a swan to a seagull her familiar undulations of the arms, performed (in severe white—her fifth costume) on the surface of the lake at the back of V. L. Leventhal's stark garden set, at the beginning of both acts and at the end.

National Portrait Gallery

Annual portrait awards

by ROY STRONG

When is a portrait a portrait? This Alice-like question kept crossing my mind as I studied the work of the prize winners and finalists in the second annual Imperial Tobacco Portrait Awards at the National Portrait Gallery. The answer, it seems, as far as some of the painters were concerned, was whenever it suited them.

In other words the term portrait in this competition extends to anything in which recognisable (or just recognisable) people appear, even if they are only called Tom or Joe or Diana. Just to make sure that they are not getting away with too much, photographs of the sitters are pinned up next to the picture. All the same is Peter Maw's really good *é cole de* Stanley Spencer group in which the gardener is apparently about to knife the lady of the house while her child sits in a chair bottom left, really a portrait? Is Paul Gopal Chowdhury's *Preparing a Meal*, a whopping rather agreeable canvas of his wife used as a model chopping carrots (not even Jane Grigson or Pamela Harlech) a portrait?

I must apologise for reiterating the question but the approach really undermines the competition and, what is more, one begins to wonder whether in its present form it isn't more truly at home in the Tate Gallery or the Royal Academy.

It is really individious for someone who worked in an institution for 13 years to have to be critical but it is difficult not to be when such a splendid opportunity has been, to a degree, lost. Now let me say at once that there are some really good portraits. By far the best is Paul Brason's *Michael Maclagen*, not just because he is a cousin of my wife's but because it is a quite spanking example of the new realist style of the moment, a brilliant rectangle of summer garden light in which the sitter is caught in his lightweight suit in a deck chair.

Ian Sidaway is another of that school who contributes an honest face-on-self-portrait in grey dungarees holding a can of beer lit by the fluorescent tube above him. Of the prizewinners Guy Noble's noble pastiche of himself as Titian's handsome cavalier of the balloon sleeves but clutching a blossom, although its debts to Sutherland are apparent, has an attractive arrogance and wit of allusion. It is not ashamed, as so many of the canvases are, to be a portrait and revels in every egotistical moment.

Rosalind Cuthbert's portrait of the Rev. A Grange is a really nice piece of considered painting of what one divines to be a shambling country parson in tweeds with enormous feet and oceans of reticent compassion.

Even he, however, sits in a chair in the studio. Now this is another point. In portrait after portrait the luckless sitter is always pushed into some corner or other of a very untidy studio. Does it not occur to the painter that the background is important?

The studio tells us about the painter and not the sitter. Have artists forgotten that backgrounds and props extend the interpretation of a sitter? What we so often end up with is a picture of a model, not a portrait, of a person. Andrew Ratcliffe's *Victoria* (who?) is a model. She is seated nude on a table with her back to us looking out o a window.

Robert Wraith's *Tina* is a pretty girl seated in a chair in the studio interpreted with heavy overtones of Annigoni. Roger Handley uses his wife as a model who has been putting on hats for the artist with the abandoned heap that did not work on the floor. Or perhaps I have got it wrong and she is a hat collector.

The balance of the judges works very heavily in the direction of one generation: Hugh Casson, Lawrence Gowing and Carel Weight. Bryan Organ apparently never materialised and Peter Blake was the sole representative of a younger viewpoint. The first three are, of course, immensely distinguished, but if one knows their work one can understand immediately the context of the prizewinners. It is difficult for any generation to escape from its own cycle of visual taste and perception. The winner of the first prize is a picture by Emma Sargeant. It is a very muddled attempt at an ambitious genre, the conversation piece entitled *Alone in a Group—Drinks at Milaporte: Family and Friends.* In this case, apart from herself, we are provided with no key to the group or photographs of the sitters. I confess to finding the other prizewinners also somewhat disappointing, particularly their lack of real draughtsmanship.

If this competition is to be a success, it needs radical rethinking in the interests of the Gallery. It would be far more imaginative if it is to continue as an annual event if there were to be a four-year cycle: the first year paintings, the second sculpture, the third drawings, watercolours and puastel, and the four photographs. It would restore a balance to the media, now being distorted, and do incalculable good to a much broader range of contemporary creativity. Incidentally, the exhibition is extremely well hung, not an easy task when faced with such a discrepancy in size, technique and capability.

Founded in the last age of the heroic portrait as it flowered from the renaissance, the National Portrait Gallery has more problems than almost any other of our great national collections in demonstrating its viability in late twentieth-century terms. Its motivation is and never has been aesthetic but archival and documentary. It has more bad art on its walls than any other gallery in London and this adds to its peculiar charm. It has begun to come to terms with photographs but not with film.

Undoubtedly by the year 2000 the average visitor will expect to press a button and see Mrs Thatcher well up before his eyes on a screen, moving and talking. That would seem the inevitable direction in which its historical context would dictate that it should go. There can surely be no brief left for it as a monument to Whig ideology and the Victorian cult of the icons of the great.

Emma Sergeant, who won the Imperial Tobacco Portrait Award, at work

The Rev A. Grange by Rosalind Cuthbert, Imperial award finalist

Wigmore Hall

Yuri Mazurok

by MAX LOPPERT

The leading Soviet baritone is now a regular visitor to the Royal Opera House—this month he sings in the *Trovatore* revival — and an already familiar recitalist at the Wigmore Hall. The voice is of magnificent quality — even, firm, definite through a wide range (except, perhaps, in the very lowest notes), the timbre at once full and lean. If voice were all, Mazurok would be among the great recitalists. As it is not, Sunday's concert proved a dull affair—pleasurable in moments, forgettable in sum.

He gave us an all-Russian programme — Chaikovsky in the first half, Rimsky-Korsakov, Rubinstein, and Rakhmaninov in the second. As one soulful, moderately paced number followed another, with little evidence of dynamic variation or emotional pressure on the stream of beautiful sound, Chaikovsky was made to appear a much less interesting song-writer than he is. It was odd, too, that Craig Sheppard, who can be a soloist of such distinct and forceful personality, was content to render most of the accompaniments in discreet soft focus. It was a show of admirable deference to a distinguished visitor, perhaps, but this is hardly what piano partnership with a voice is all about. (He should have practised harder the fast figuration of "Don Juan's Serenade.")

From the impression of indecipherable vocal fluency, one excepts "At the Ball," in which the voice had moments of real lilt, and Onegin's Act I aria, ringing and reserved in the proper proportions. In the second half the aria from Rimsky's *Snow Maiden* came off with some flair, but then with the Rubinstein selection it was back to facelessness. I admit to having crept away before the end — in disappointment, even in anger, at so bland an exhibition of so superb a voice.

Festival Hall

Pollini & Solti

by ANDREW CLEMENTS

Solti conducting Beethoven's Fifth, Pollini playing the Schumann piano concerto: a combination to guarantee a full house, especially on a Sunday evening in the Festival Hall. Expectations of this London Philharmonic concert were by and large fulfilled; there was a capacity audience and the performances did have a high-definition and positive gloss. Sir Georg began the concert with one of his specialities, Stravinsky's *Jeu de Cartes* ballet, which he delivers more expertly than anyone. The LPO responded with some quick-witted, unfussy playing and neat woodwind solos, particularly in the variations of the second "Deal"; the jokes, the sudden arrival of Rossini's *Thieving Magpie* most of all, were perfectly timed.

Maurizio Pollini's performance of the Schumann concerto in the Festival Hall some six years ago still stays in the mind. Then his playing had a steel cutting edge, and a remorseless way of dealing with irrelevant glosses; the poetry in his performance had to be sought out. Now the contours are much softer, the textures as clearly crystalline as ever—the left-hand figuration a delight of articulation—and the climaxes still full blooded.

Pollini these days even allows himsef an occasional indulgence —the clarinet and piano duet that opens the development in the first movement was almost too much of a good thing—but the balance between incisiveness and eloquence is otherwise almost faultless.

The supreme technician was apparent in his deft handling of the first-movement coda and in his accompaniment to the second theme of the finale; effortless passagework with every accent naturally and precisely weighted. The superior musician was evidenced by his handling of the cadenza, one of the highspots of his earlier performance, and now yet more beautifully paced and shaded. Sir Georg accompanied with great tact and considerable intensity.

Solti's Fifth, however, cast an unexpected light. It favoured weight at the expense of litheness much of the time: the first movement especially was firmly structured rather than electrifying as it can be; and ample time was found for the oboe cadenza to breathe and flower. Sheer power was employed only in the coda. The rest of the symphony similarly became an experiment in varying mass, building by accumulation rather than momentum. The last movement was kept on a tight rein almost up to the final bars; though every point was precisely made and every phrase turned exactly, the excitement seemed rather distant, for all the energy of the orchestral playing.

New Albany Empire

Happy Lies

by ROSALIND CARNE

A tender, delicately poised tale of a crippled Indian girl and her English pen pal is the Combination's first offering at the new Albany Empire. It is a delightful play by C. P. Taylor, an accomplished playright with an unerring line of vision into the hearts and minds of teenagers. How evocatively he re-creates that troubled hiatus at the brink of adolescence, when horrid facts threaten to slam the door on magic.

Not unexpectedly, there were a few hitches at the opening of this smart 300 seat auditorium, of which the worst was overbooking. Too many bodies soaked up the sound, which was further dampened by a bar which obstinately refused to close.

The result was an unhappy accompaniment of clinks and murmurs to a theatrical occasion which called for hushed concentration. Nevertheless, it is a brave idea to breathe life into the virgin structure with a reminder that this company deals in much more than robust cabaret and disco dancing.

Along the back wall of an apron stage the striped wallpaper of a Willesden flat shades into the tattered rags of Kamala's hut. Derek, aged 12, is inspired by a poster in his school, calling for help to the third world. He discovers Kamala's name and address and writes to her, or, rather, gets his friend Shirley to write.

But if he lacks the mechanics of penmanship he is not short of words — sharp, slangy, contemporary. The letters become an imaginative adventure, lifting him out of the souless materialism of his home life.

Debbie Bishop carries us effortlessly into Kamala's dreams, affecting and dignified in her affiliation without a hint of pathos. She heaves her useless limbs across the floor as if she'd been doing it all her life. But she needs to speak up. And Tim Roth (Derek) needs to slow down if he wishes to be heard.

THEATRES ALSO APPEAR ON PAGE 20

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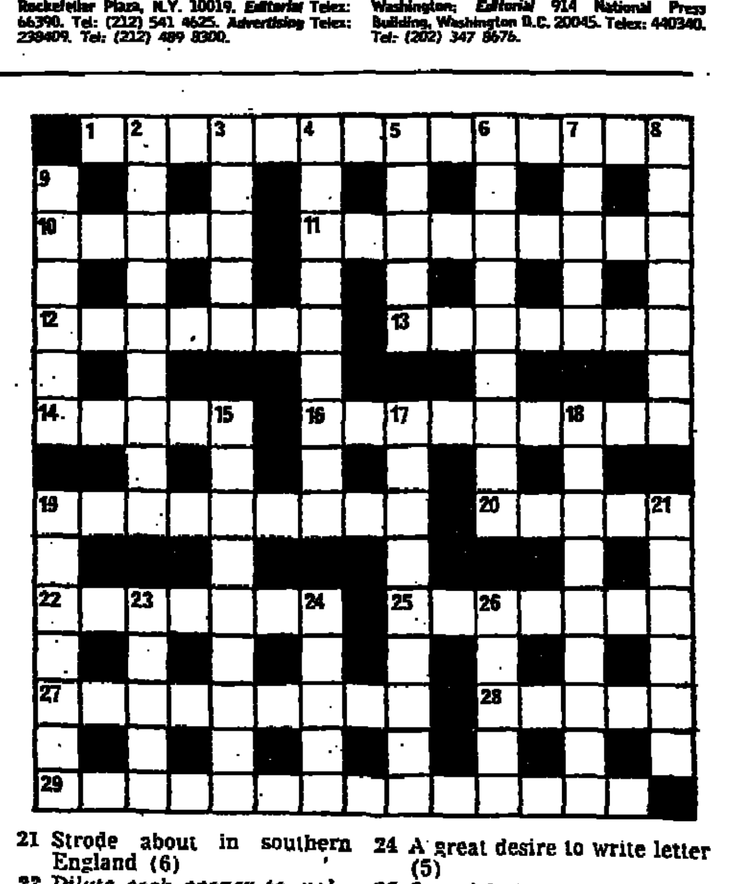
F.T. CROSSWORD PUZZLE No. 4,744

ACROSS

1 Fuel bill could be shocking (8, 6)
10 Hoist with bowler's approach (3, 2)
11 Poster on supporting screw (9)
12 A stripe may be earned with foreign currency (7)
13 Fairy giant takes first-class return (7)
14 Power point on side (5)
16 Mealy-mouthed chat? (5, 4)
19 Fly way for Boycott to score (3, 3, 3)
20 Pole ought to cover firm (5)
22 Biscuit broken at a fair (7)
25 PC 99 in tender (7)
27 Moslem round the bend about food (9)
28 Striking about eccentric (5)
29 Act to stamp on those drab flaws (5, 3, 6)

DOWN

2 Steward going to country to spy (4, 5)
3 Get into trouble taking care of mine (3, 2)
4 Mirror is for the thinking person (9)
5 Company right to upset painter (5)
6 Cruel to be without a suit (9)
7 Bar one northern sculptor (5)
8 Hearing organ sign set aside (7)
9 Go wrong turning up like this exam (6)
15 Dig up all the runners in explosive area (9)
17 House hunters associated with downcast eyes (5, 4)
18 A pound discovered being shared out (9)
19 Present sound of fruit (7)
21 Strode about in southern England (6)
23 Dilute each opener to make yours old-fashioned (5)
24 A great desire to write letter (5)
26 One girl given fresh start by another (5)



Solution to Puzzle No. 4,743

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Tuesday December 8 1981

A whiff of detente

THE MEETING next weekend between Herr Helmut Schmidt and Herr Erich Honecker, the East German political leader, is a welcome sign that détente, though ailing, is not dead.

Relations between East and West Germany usually have been the acid test of how the two political blocs in the world are getting along with each other. The treaty of 1972, in which Bonn recognised the existence of an East German state, was one of the high points of *Ostpolitik*. But the hopes then entertained that a new era was opening for human relations between Germans on either side of the border, and for East-West relations in general, have only been marginally fulfilled.

Deteriorated

The Soviet invasion of Afghanistan was an especially heavy blow. It caused Herr Schmidt to postpone a meeting with Herr Honecker that had been fixed for early last year. Later in 1980 there was another postponement because of the troubles in Poland. The second postponement was particuarly significant because it showed how stark are the limits to one of the original inspirations of *Ostpolitik*. the hope that the smaller powers by their own initiatives might soften the dividing line in Europe as well as that within Germany.

The climate deteriorated further with the advent of the Reagan Administration in Washington and with its strongly anti-Moscow and anti-Communist line.

Herr Schmidt can justly claim some of the credit for having encouraged both Washington and Moscow to become more flexible. Their agreement to begin talks in Geneva on the possible limitation of Theatre Nuclear Forces in Europe, in turn, has cleared the way for the Schmidt-Honecker meeting.

The Chancellor has disclaimed any ambition to be the "honest broker" between the U.S. and the Soviet Union, preferring to be described as the "interpreter." That subtle distinction expresses his sturdy attachment to the West and his support of Nato's decision to *deploy the nuclear weapons* unless Geneva results in a big power agreement.

Herr Schmidt's alignment with Nato and the West will be mirrored at this weekend's talks by the equally firm attachment of Herr Honecker to the Moscow alliance. Beyond signalling a slight improvement of the atmosphere prevailing between the two alliances the talks, therefore, can have only limited results.

Bonn is expected to extend the interest-free line of credit available to East Germany if it falls behind with its deliveries in East-West German trade. It will not concede something else that Herr Honecker dearly wants, a recognition by Herr Schmidt that there are separate East and West German citizenships. West Germany clings to the view that there is one German citizenship only.

Herr Schmidt will hold out for a reduction of the minimum amount of hard currency West Germans must spend when they visit East Germany. At its present levels this so-called entry-fee has severely reduced the flow of private visits from *West to East. Beyond that* the Chancellor wants to keep the political lines open to East Germany and to the other members of the Warsaw Pact. It is an ambition shared in other European Nato capitals.

Confined

Herr Honecker and his friends on the Kremlin have, of course, pinned hopes on the West German peace movement as an element that might shake West German allegiance to Nato. A recent public opinion poll showed that 35 per cent of those asked would like Germany to be neutral like Austria. It also showed the existence of a strong pacifist undertow. But since 30 per cent of the "pacifists" also backed Nato's two-track decision on nuclear arms, the evidence is rather muddied. West German public opinion is confused, but a great majority remains firmly pro-American.

In spite of Geneva, the scope for rapprochement between East and West either in Germany, or in Europe at large, remains tightly confined. But the fact that Herr Schmidt and Herr Honecker are meeting is a sign that the threat of a return to the sterile confrontation *of the cold war has lessened* somewhat. That is all to the good.

Safeguards for nuclear power

A NEW director-general of the International Atomic Energy Agency—the first change for 20 years—has taken up his post this month. As custodian of the Non-Proliferation Treaty, the job of this UN agency is to police what might claim to be the closest the world has ever come to a consensus on a piece of legislation: and one, moreover, in which nations voluntarily surrender a piece of their sovereignty and permit international inspection.

Instead, Dr Hans Blix, the Swedish diplomat newly arrived in Vienna, could easily find himself presiding over the break-up of a treaty signed by 110 nations and accepted in principle by 10 more. For it is a treaty which *plainly does not* have the confidence of the developing world, and which may be losing the confidence even of the nuclear weapon states.

Daunting

For 20 years a fellow-Swede, the scientist Dr Sigvard Eklund, worked unceasingly to impede the proliferation of nuclear weapons. His efforts suffered a grievous blow in the year of his retirement when Israel—in a unilateral vote of no confidence in a treaty which it has never accepted itself—bombed the nuclear facilities of Iraq, a signatory of the NPT.

With the retirement of Dr Eklund, Dr Blix finds himself with a task of daunting technical complexity and political sensitivity, totally dependent upon the goodwill of those whom he polices.

Since the 1960s the agency has been learning the novel techniques of nuclear safeguards, chiefly with the assistance of its three principal patrons—the U.S., the U.S.S.R. and Britain In a period when nuclear technology has been advancing rapidly, the agency has been struggling to apply its detectors to complex facilities never designed with safeguards in mind

It has been baulked increasingly in this task by four major hostile influences. One is the fact that the developing world never saw nuclear weapons in the same light as the nuclear weapon states. Those which signed the NPT were cajoled into doing so by generous promises of technical assistance in building their own nuclear power programme.

When India broke faith with its Western suppliers and exploded plutonium in 1974, even though it broke no international law for it had not signed the NPT, the cajolery of the developing nations turned to bullying. At this point the IAEA began to lose the tenuous confidence of these nations. Today they tend to see every dollar devoted to safeguards as a dollar wasted which could be coming to them in nuclear aid.

Another hostile influence has been the activities of the anti-nuclear movement, which has sought to establish that certain technologies, integral to the future of nuclear power, should be proscribed worldwide.

A third influence that militates against the agency's success is the refusal of even the weapon states to agree any longer that the discouragement of would-be proliferating nations is a matter of overriding diplomatic importance.

The fourth hostile influence permeates the IAEA itself. It came to public notice this summer when a senior American safeguards inspector seconded to Vienna revealed that he had been keeping his government informed on the findings and actions of the IAEA.

Updating

The agency itself was never under any illusion that its three principal patrons were being kept informed on the findings of its inspectors. But in deference to the ambitions of the developings world in particular, it has undertaken to keep both its findings and details of individual safeguards agreements confidential.

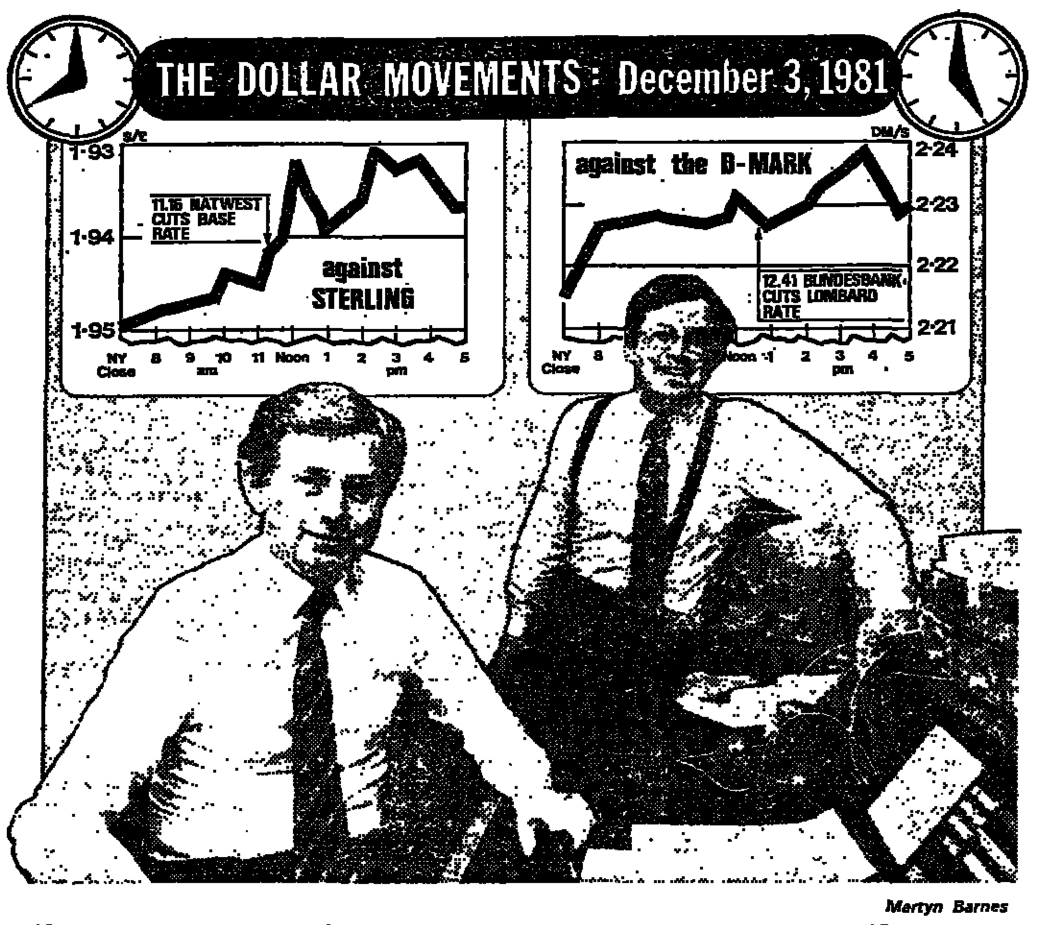
Thus, Dr Blix takes over in a political atmosphere soured by these four influences, at a time when those states with the greatest interest in the agency's welfare are all energetically updating their own nuclear weapons.

It is time for the IAEA's member-states to mount a resounding declaration of confidence in the NPT and nuclear safeguards, if the agency is not to decline rapidly in influence in the 1980s.

THE FOREIGN EXCHANGE MARKET

Just another $1bn a day . . .

By David Marsh



Martyn Barnes

Alan Ulrick (left) and Ron Reading in Chase Manhattan's London dealing room. "My horizon extends 24 hours"

THE MONEY-DEALING room of Chase Manhattan Bank's London branch is a softly-lit bedlam of flashing *lights and whirring teleprinters* —a cross between Mission Control in Houston and the inside of Doctor Who's time-travelling telephone box.

Amid the cacophony glides the purposeful figure of Mr Ron Reading, administering words of guidance to the teams of dealers hunched over their telephone lines and calculating machines.

Reading, a 36-year-old American, is Chase's area treasury coordinator for the British Isles, the Middle East and Africa—but his main responsibilities lie here in the London dealing room. He has held his present post for 2½ years.

From his amiable expression, re-assuring red braces and the easy way that he answers questions, it would be impossible to tell that he is the man in charge of an operation with a turnover of well over $1bn a day and which contributes a sizeable chunk of the $100m-plus profit that Chase stands to chalk up this year from its world-wide foreign exchange dealing.

Last Thursday gave Chase's dealers ample opportunity to draw on their expertise for making money out of fast-moving currencies. Throughout the day the dealers' video screens brought news that interest rates were tumbling around the world — first in Britain, later on in Europe, and then, during the evening, in the U.S.

The day's unfolding events show the speed with which interest rate changes—and, just as important although less tangible, fluctuations in currency market psychology—work through to exchange rates. And they underline the difficulties faced by central banks and Government authorities in trying to stabilise day-to-day gyrations.

0800: It's already 9 o'clock on the Continent—and the Chase team of seven foreign exchange dealers are at their places. The traders on the other dealing desks — handling currency deposits, the sterling money market and foreign exchange deals for customers—drift in over the next hour. One of them has a sign next to his telephone: "Don't just sit there, worry."

The dollar is starting off well up compared with yesterday's New York close, thanks to aggressive buying in Far East markets on hints of higher U.S. interest rates. "The Far East nearly always over-reacts," says Reading. "As operators come in *and start trading, we're running* a neutral position until the market view is formed."

Chase is ranked as one of the top four banks dealing in sterling in London. Its main rivals are European Banking Company, Citibank and Barclays.

"As a market-maker, we have a continuous price at which we're prepared to deal for amounts of £1m," says Reading. "That's our economic function — we're always prepared to deal. We grease the wheels."

Chase's chief foreign exchange dealer, Mr Alan "Willy" Ulrick — a veteran of 25 years in dealing, all with Chase — sits confronted by a daunting pile of high-fidelity voice-boxes. They relay to him a barrage of shouted dealing rates from half-a-dozen currency brokers. By bringing together buyers and sellers, the brokers act as Chase's main link to the market.

Chase also does considerable business directly with other banks and big commercial clients. During the course of the day, it will deal with customers as far flung as Syria and Singapore, Bahrain and the Bahamas, Madrid and Moscow, New York and New Delhi.

08.30: Sterling is steady at $1.9475/85. The 10 point spread between buying and selling rates represents the dealing operations's staple source of income. "Our basic approach is not to take too many speculative positions, but to make a two-way price and to earn our money from the volume of business," says Reading. Price fluctuations and wider dealing spreads — which both tend to increase when business is busy —raise the profit margins.

A quiet morning so far. Reading discusses prospects for the day rather like a cricket captain ruminating on the soundness of the wicket. Interest rate cuts are on the cards. "The market consensus is for a ½ point cut in the Bundesbank's special Lombard rate. If there's no cut, the D-Mark will be bid upwards. If it's a one point reduction, the dollar will go up.

"The Bundesbank," muses Reading, "is more confident about cutting rates than the Bank of England. The British authorities are very uncomfortable about letting UK rates slip too fast. But the Bank of England has hinted at a lower tendency by oversupplying funds to the money market during the past three days."

08.40: The market is trying to push the dollar up to DM2.23 but is meeting resistance, perhaps from intervention sales of dollars from the Bundesbank. "The general feeling is that the dollar is starting to look a little over-valued against the D-Mark," comments Reading. A shout from one of the dealers confirms the suspicions about intervention: "The Bundesbank's in!"

This morning Reading is watching the DM/sterling cross-rate particularly carefully. Chase last night took out a short position of several million pounds against the *D-Mark* at a rate of DM 4.34½.

By selling pounds without covering the transaction by buying back an equivalent quantity, Chase effectively has gambled that sterling will fall. It hopes to earn a profit by buying back sterling later at a lower rate. Uncovered overnight positions are common practice—this one is well within Chase's internal limits and those agreed with the Bank of England.

Dealers of course can also take out uncovered positions during the day. Smiles Ulrick: "We aim to get it right three times out of five." Reading adds: "The key thing is to avoid being spectacularly wrong."

09.00: *Sterling money market* interest rates are showing signs of easing. After delaying the fall in interest rates through its money market operations last month, the Bank of England is trying to be as subtle as possible in bringing about marginally easier rates."

09.20: Sterling deposit rates fall further. The one-month rate is now under 15 per cent. Sterling is down to $1.9460, *but Reading* thinks it will fall further. "We're looking for a base rate cut by the clearing banks either today or Friday. The clearers are anxious to cut their rates as soon as the money market allows. There is some talk in the market that their profits are still high—and they want to avoid another windfall profits tax."

09.30: *Remembering his short* position in sterling, Ulrick smiles as market sentiment—relayed through the buzzing voice boxes and telephone terminals — is now swinging round clearly in the direction of a base rate cut.

The dealer's priority, he explains, is to keep in touch with "how the other guys are thinking. An economist has got time. We're at the short term end. My horizon extends 24 hours."

09.40: Reading is now certain. "We're looking for a ½ point cut in base rates. It's almost happened already." A brief flurry takes place as a dealer *yells* above the *background* hubbub that a major national bank is selling dollars.

10.00: Another flurry. One of Chase's big New York rivals mounts a marauding operation, contacting several banks simultaneously with a big sterling selling order, maybe as much as £20m. The rate shoots down within seconds from $1.9460/70 to $1.9430/40. "They have a more aggressive style than we *do," says* Reading, "but they're thinking the same about a base rate cut."

"People love to trade sterling: there's a big speculative element. It's an emotional currency — you either love it or hate it." If the pound were in the European Monetary System, he believes that the resulting commitment for central banks to defend fixed margins "would make it easier for us to make money. The Government would be crazy to take sterling into the EMS. It would remove its freedom to decide whether to allow interest rates or the exchange rate to take the strain.

"UK interest rates have to be roughly two points higher than those in the U.S. right now. Otherwise the pound could go down to $1.75."

11.16: Sparking off excited *cries, the announcement* of National Westminster's ½ point base rate cut is flashed on to the video screens. Sterling falls within minutes to $1.9410/30.

Ulrick closes out the short sterling position by buying sterling at DM 4.32 — making a healthy profit.

11.40: Sterling is still falling — down to $1.9367/77 — "a delayed reaction," says Reading. A big corporate customer comes in to buy sterling at what looks like a low rate. Reading tells a dealer: "It looks like it's bottomed out for the moment."

11.56: The pound falls to $1.9315/35. "The base rate cut was expected but the amazing thing is that the pound has dropped quite dramatically," comments the perpetually cool Ulrick.

Reading concedes that the *foreign exchange market* can sometimes resemble a bandwagon. "When intelligent people make money out of actively following events, it shouldn't be surprising that they come to the same conclusions. That's why currencies move before events happen and why the market over-reacts.' It's very self-fulfilling. You worry less about the fundamentals and more about whether there are more buyers than sellers."

12.10: The D-Mark is set at the mid-session fixing in Frankfurt at DM 2.23. Now all attention is riveted on the anticipated announcement of an interest rate cut at the Bundesbank's Press conference. "We're looking for a ½-point Lombard rate cut," proclaims Reading. Ulrick comments that the pound is expected to go up again in the *afternoon.* "*We've not* seen one commercial seller of sterling." That means that banks have been selling—and will have to balance their books later on.

12.24: A commercial customer calls with an order to buy £10m. The dealers contact other banks on telephone lines to allow Chase to acquire sterling in the market to sell (at a slightly higher rate) to the customer.

12.41: News comes through of a ½ point cut in the Bundesbank's special Lombard rate. Reading rubs his hands: "Just as we expected." Paradoxically, the D-Mark moves up slightly against the dollar. "That shows that many people were looking for a 1 point cut."

14.00: As the New York market opens up, the key interbank Federal funds rate appears on the screen at 12½ per cent, slightly higher than expected. This pushes the dollar up again towards DM 2.23. But Reading counsels his dealers: "There's a school of thought that says the Bundesbank cut its Lombard rate knowing that the Fed is going to cut its discount rate over the weekend from 13 to 12 per cent. So it's doubtful how high the dollar can go."

14.36: With Fed funds now up to 12¾ per cent, the dollar has risen to DM 2.2350. Reading admits that he had been expecting the opposite tendency. "Now we are starting a new day." He says that two factors tomorrow — a possible discount rate cut, plus news of higher unemployment — are likely to depress the dollar rate. "But that's still a century away."

14.45: The dollar rises to above DM 2.2350. "I still think that at the end of the day it'll be back to DM 2.23." But swirling market rumours—subsequently proved groundless — of a general strike in Poland give the dollar support.

One dealer comments laconically: "We had the same sort of nonsense yesterday with a rumour about President Reagan having a heart attack."

15.15: The Dutch central bank cuts its lending surcharge by ½ point, matching the Bundesbank's move.

16.30: A news flash — the Swiss National Bank has cut its Lombard rate as well. "Now we expect a Fed discount rate cut, too," says Reading. "This seems like central bank *co-operation."*

16.42: The dollar's upward drive seems to have expended itself. At DM 2.2290, it's now down 1 pfennig from its high against the D-Mark. "If U.S. rates fall tomorrow," says Reading, "it could fall to DM 2.21."

17.00: The dollar closes at DM 2.23 and sterling at $1.9365. The foreign exchange dealers tot up their sizeable profits for the day. With the odds shortening on a discount rate cut, the books are closed with a small short dollar position against the D-Mark.

"We've had a good day," enthuses Reading as his staff jab their telephone switchboards for the last time. "Now we'll get a good night's sleep." He slept all the better following the *evening news that the* Fed did indeed cut the discount rate—one day early.

Men & Matters

Short-changed

We all know the U.S. authorities are straining to keep the money supply under control, but this is ridiculous. As Christmas nears, America is in the grips of a one-cent-piece shortage which is bringing retailing to a grinding halt. Not that the Treasury is being mean: it is still churning out those little copper coins at the rate of 12bn a year. But instead of finding their way into the tills they seem to be ending up in piggy banks, drawers or wherever people empty out their pockets and purses at the end of the day.

"People just can't be bothered with them," said one bank executive whose daily allocation of cent pieces from the Fed does not even begin to meet demand. Some people have even got into the habit of hoarding them for the day when the price of copper goes over the face value of a cent—which has happened a couple of times in the last 10 years.

Chemical Bank, one of New York's largest banks, is trying to crack the problem by offering 60 cents in dimes and quarters to anyone who brings in a roll of 50 cent pieces. For an instant return of 20 per cent, that must be the best investment in town and it seems to have had some effect. But sharper folks quickly realised they can buy 50 cent rolls in other banks and take them straight round the corner to Chemical, which has prompted Chemical to set a limit of $100 per person and get them to put their names on their rolls.

Some of the cent's lustre may fade, though. The Treasury said earlier this year that it costs so much to make a cent out of copper these days that it will shortly switch to zinc with a copper coating. People have suggested the Treasury could solve the whole problem at a stroke by abolishing them altogether.

Code feat

The code-names which companies give to new products under development are often the source of some mystification to the outsider. But ICL's pseudonym for one of its new computers to be designed around Japanese Fujitsu technology is particularly puzzling: "Estriel." Mediterranean wind? A minor Greek god?

The answer, it seems, is far more prosaic. The word is a phonetic rendering of the Japanese pronunciation of ICL's original code-name "S3L."

Eastward who?

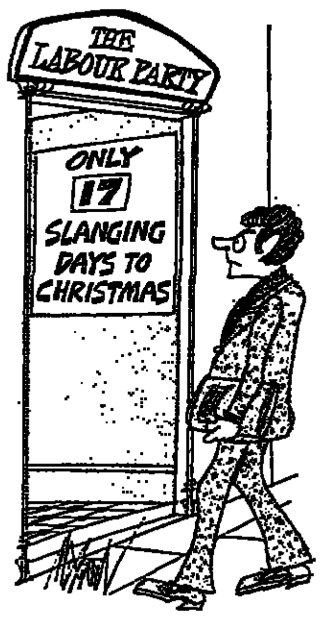
Sir Edward Youde, the Foreign Office's front-runner for the Governorship of Hong Kong, is now back at his desk after heart by-pass surgery. The final decision on his prospects in the Crown Colony stakes awaits a clean bill of health from his doctors.

But Youde's chances look less certain following rumblings in Hong Kong which have caused questions to be asked at ministerial level in Britain. Youde is a scholarly man who knows the Chinese and their language—he is a former ambassador to Peking—but there are suggestions that he lacks the stature for the job.

The colony establishment is said to be keen on a better-known name to command international attention, and to favour a political figure who would stay inside Government House while they ran the day-to-day affairs of the territory.

A final decision must come soon — perhaps even before Christmas — as the colony's commercial community is becoming increasingly restless. The present Governor, Sir Murray Maclehose, leaves in April.

Other possible candidates have included Humphrey Atkins, now Lord Privy Seal, but career reasons are likely to keep him in London. The same applies to Sir Edwin Bramall, former Commander of British Forces in Hong Kong, who is now moving from his present job of Chief of General Staff to become Chief of Defence Staff. And Roy Mason? "The wrong party," I am told.



Peat meet

Noticeably absent from yesterday's extraordinary meeting of the *Guinness Peat group* were Lord Kissin and his supporters —the word was that they were either on holiday or overseas.

Did they miss much? Not a lot—like so many Guinness Peat meetings, the latest one held to approve the Linfood stake sale and the U.S. Telerate deal was on the quiet side. Only one shareholder managed a bewildered question, and Edmund Dell, who succeeded Lord Kissin as chairman in 1979, used it to good effect to emphasise the importance of Telerate.

It was, said Dell, a deal as significant for the group as the original merger between Guinness Mahon and Lewis and Peat in 1973. At any rate, it is clear that Dell has staked much on the deal. If it is successful, his triumph will be the sweeter for having been achieved in the face of some Board opposition. And if not —well, I think we might look for the Kissin camp to assert itself rather more forcefully than it chose to do yesterday.

Once bitten . . .

Are there no depths to which these evil multinationals will not sink? Ford, locked in delicate talks with unions on this year's pay, provided some food for the union negotiators during yet another marathon session last Wednesday. All unsuspecting, veteran militant Dagenham plant convenor Sid Harraway took a Cornish pasty and did eat of it.

Come nightfall, Harraway's iron constitution was faltering. Gastroenteritis ensured a sleepless night, and doctor's orders have kept him away from the negotiating table and the mass meetings ever since. The pasty, it appears, was the culprit.

Harraway says he is going to write to his industrial relations officer about it, but my man at the bedside could not persuade *him to sue. He is inclined to* dismiss the incident with good humour. My advice to union negotiators faced with these Borgia-like tactics: take your own sandwiches to the table with you in future.

Observer

FINANCIAL TIMES SURVEY

Tuesday December 8, 1981

Japanese Investment in Europe

Japanese manufacturers in Europe: a country-by-country guide. PAGE VIII and IX

Japan is now on the threshold of a new era in its relations with Europe, based upon on-the-spot manufacturing and assembly, rather than on direct exports alone, and upon large-scale involvement in the economy of Europe, rather than 'hands-off' trading relations.

The pace of growth quickens

By Charles Smith
Far East Editor

DESPITE ITS prowess as an exporter, and its enviable reputation as the home of the world's most efficient mass production industries, Japan has been slow to make its debut as an investor in the manufacturing industries of other developed nations.

Less than 40 per cent of the relatively modest total of some $36bn worth of investments that Japan could point to at the end of 1980 was invested in Europe and North America, and of this amount only about a quarter consisted of investment in manufacturing.

All the rest — as well as a sizable chunk of the remaining two-thirds of investment that was directed to the developing world — consisted of resource investments and of the representative offices of Japanese banks and trading companies that have done so much to push the nation's exports.

The explanation for Japan's historical reticence, as an investor — particularly in the developed world and especially in manufactures — is simple enough even though it may come as a surprise to competitors in the West who view Japanese industry as unbeatable. Until the early 1970s Japan lacked both the funds, and the economic incentive, to try its hand at manufacturing in the wealthy economies of America and Northern Europe for the simple reason that its economic standards could not match those of the West.

Japanese wage levels were lower than those of any major western country except the UK, until the early 1970s and Japanese technology — as the Japanese themselves were only too well aware—had been derived from western originals which meant that it could not profitably be exported back to a western setting.

Such manufacturing investment as Japan undertook from the late 1960s (when the Government first began to remove its rigorous controls on outgoing investment) to the early 1970s was accordingly directed to developing countries where cheap labour offered the chance of profits that could not have been made on goods produced at home.

The pattern of events since 1975 has consisted in a reversal of almost all these former disincentives to an adventurous and outgoing Japanese investment policy. With the yen at a relatively high level against most European currencies and with newly acquired pride in its own technology, as well as anxieties about trade tensions with the U.S. and Europe, Japan now has no shortage of motives to export its production capacity to developed nations—as well as to the developing nations that were formerly its main hosts.

It comes as no surprise to find that, in accordance with these factors, Japanese investment has grown much faster in the last few years than in the previous decade and that a greatly increased percentage of all the capital exported has gone to set up manufacturing ventures in the West. What may come as a mild surprise is the discovery that investment in European manufacturing ventures has been growing faster even than Japan's stake in the U.S.—though admittedly from a base which, until recently, was so low as to be almost invisible.

At the beginning of 1975, when both the Japanese and the European economies were in the depths of the recession precipitated by the first oil crisis Japan boasted about $250m worth of manufacturing investments in Europe, much of it located in the UK (where Sony and Matsushita were making TV sets) and *in Southern Europe* where cautious investors accustomed to conditions in the developing world had gone in search of what they hoped would be relatively cheap labour.

Manufacturing investment rose by $150m between 1975 and 1977 as the economies of both Japan and Europe started to recover and as Japan's incentives to minimise the trade frictions caused by its growing bilateral trade surplus grew stronger. It then jumped by another $450m in the three years of continued economic recovery (and accelerating trade frictions) that ran from 1978-80.

At the end of 1980, with some 90-odd manufacturing ventures representing a cumulative investment of $840m and with 17,000 employees in more than 10 countries, Japan could still hardly have been regarded as a major force in European industry.

Its investment in European banking and services was worth more than four times as much as its manufacturing investments and its manufacturing pay-roll in South-East Asia (the region which has taken the main brunt of Japanese overseas investment) was more than 20 times the European total. By early 1981, however, Japan could be said to have *arrived at the threshold of a* new era in its relations with Europe—an era based on on-the-spot manufacturing, rather than direct exports alone, and on large-scale Japanese involvement in the economy of Europe rather than on hands-off trad*ing relations.*

Whether this era is likely to be a fruitful one for Europe, or whether the emergence of Japan as a major industrial investor should be counted as merely one more headache inflicted on the West is the central question posed *by the new "look" in* Japanese overseas investments. The view taken in this survey is that the benefits should, all being well, far outweigh the disadvantages.

Japanese investment in Europe has an obvious rationale on a supplement, if not a substitute, for direct exports — and therefore as a means by which the growth of Japan's surplus on visible trade with the EEC can be slowed down, if not reversed. Apart from making the trade figures look better, *however, Japanese investment* in Europe can have other, more tangible, merits.

Japanese manufacturing ventures in the development areas of countries such as the UK, Belgium, or even West Germany can soak up skilled labour *released from declining indus*tries and thus aid the process of industrial restructuring which Europe is committed to undertaking in any case. In management terms, and in terms of productivity and quality control, Japanese investment in Europe can be seen as offering other valuable benefits to its hosts.

Japanese companies with four to five years' manufacturing experience in the EEC, and with a majority of locally recruited personnel in their executive line-up, have been known to com*ment that their European* managers have improved out of recognition since they were first appointed and now match the skills and abilities of their Japanese counterparts. Such people of course represent a tiny group in the context of *European management* as a whole. But the spin-off from Japan's manufacturing presence in certain industries in terms of productivity and quality control on competing or subcontracting companies may have been considerably larger.

The UK TV cabinet manufacturer which established a "Sony production line" where morale and quality are significantly higher than in the rest of the company is an example of positive spin-off of this kind. A second example is the case of a Japanese-UK colour TV joint venture, which took over an existing UK-controlled factory and *raised* the percentage of British components in use at the plant (in part by making more *components for itself* and partly by extracting better prices and quality from local suppliers).

A recital of the list of plus factors available from Japan's small but growing involvement in European manufacturing should not blind anyone to the *existence of possible* snags. Japanese companies can be, and sometimes are, tempted to follow the easy course of establishing overseas "manufacturing ventures" which are really no more than import-and-assembly operations and which *justify* the epithet of Trojan horse (which is sometimes unfairly directed at bona fide companies). More seriously, and perhaps no less frequently, a Japanese company may be too efficient and aggressive to be an easy bed-fellow for established *companies* in the same European industries.

Instances of Japanese investors causing more trouble to their industries than their contribution as employers and bringers of new quality concepts were worth have occurred *and could become* more frequent in future. Put the danger that incoming Japanese investors may create havoc amongst their competitors has to be set against another equally serious hazard—that Japanese investors could be frightened away altogether by

CONTINUED ON PAGE III

Girls assembling circuit boards for colour TV sets at Toshiba's factory in Plymouth

IN THIS SURVEY

● Editorial production of this survey was by Mike Wiltshire.

Lynton rises to £701,000

AN INCREASE in interest receivable from £212,000 to £328,000 helped **Lynton Holdings** raise pre-tax profits to £701,000 for the half year to September 25 1981 compared with £595,000 last time.

Gross rental income of this property investment and development group was marginally higher at £1.53m (£1.51m). In addition to interest, pre-tax profits included £335,000 (£334,000) from investment properties and £38,000 (£49,000) from property trading.

The interim dividend is being stepped up from 1.5p to 1.65p net per 20p share and the board anticipates that last year's total of 3.4p will be at least maintained. Half-year earnings per share advanced from 2.5p to 3.15p.

Tax charge was lower at £280,000 (£304,000) and after deducting minorities of £108,000 (£67,000) the attributable surplus was ahead from £224,000 to £313,000.

Small halfway rise at AAA

TAXABLE profits of **AAA Industries** showed a slight rise from £131,000 to £140,000 for the six months to September 30 1981. Turnover improved from £3.65m to £3.92m.

The pre-tax profits included £136,000 from associated companies, a *sharp rise* on £75,000 last time. Interest charges were virtually unchanged at £161,000 (£162,000).

All subsidiaries traded profitably with the exception of AAA Dynamics. Although problems there have not been resolved the directors say a satisfactory solution will be found by year-end.

The net interim dividend is held at 1.065p. In the last full year a total payment of 2.13p was paid from pre-tax profits of £167,064 on turnover of £7.99m. Tax this time took £64,000 (£51,000).

The company changed its name from Anglo American Asphalt Company in February this year.

SPAIN

December 7	Price %	+ or −
Banco Bilbao	324	
Banco Central	326	−3
Banco Exterior	307	−3
Banco Hispano	325	−2
Banco Ind. Cat.	115	
Banco Santander	359	−6
Banco Urquijo	219	+2
Banco Vizcaya	350	−3
Banco Zaragoza	213	+1
Dragados	140	−5
Espanola Zinc	63	
Fecsa	65.7	−0.8
Gal. Preciados	48	
Hidrola	73.5	−1.7
Iberduero	56	+0.8
Petroleos	95.2	−2.8
Petroliber	94	−2
Sogefisa	30	
Telefonica	70.5	
Union Elect	76.2	+0.2

Initial Services improves by £2.1m at interim stage

FOR THE six months to September 30 1981 pre-tax profits of **Initial Services**, the laundry and hire group, rose by £2.05m to £11.01m and the net interim dividend is being lifted from 2.75p to 3.25p. Last year's total payment was 9p from profits of £19.71m.

Turnover for the half year improved from £71.81m to £79.63m and operating profits came through £1.39m higher at £10.67m. There was interest received this time of £62,000, compared with that paid of £573,000 last time and the pre-tax result also included non-trading income of £282,000 (£226,000).

Tax took £4.69m (£3.9m), for earnings of 11.4p (9.1p) per 25p share. There were minority profits of £252,000 (£207,000) and extraordinary debits of £755,000 (£78,000) which left the attributable balance up from £4.75m to £5.29m. Out of this, the interim dividend absorbed £1.73m (£1.45m).

On a CCA basis, pre-tax profits are shown at £8.7m (£6.6m), the attributable balance emerged at £3m (£2.4m) and earnings per share improved from 4.5p to 7.2p.

● comment

Initial was able to post a 23 per cent improvement in pre-tax profits and raise its interim dividend by 18.18 per cent, so the market's enthusiasm is easy to understand. The shares rose 18p to 243p, where the historic yield is now less than 6 per cent. The re-rating was extended to other cleaning shares, but there must be some question whether a bullish view of the sector is justified on today's figures, since other recent results suggest that they do not obviously generalise. Operating profits have risen 15 per cent, but that owes little to volume — apart from newly acquired businesses — and much to prolonged cost-reduction. Again, the company is now a net receiver of interest; it attributes this turn of events largely to the recession, being no longer geared up for expansion. In cleaning and workwear new business is difficult to get, and price increases have been minimal. But Initial has found a way out of the tax trap sprung on its competitors by failure to invest in stocks of new overalls. Entry into film production ("Clash of the Titans" was the first release) has secured enough capital allowances to hold the estimated tax charge down to about 43 per cent. Assuming £23m before tax — perhaps a mite conservative — the shares stand on 12 times prospective fully-taxed earnings.

HIGHLIGHTS

With the Monopolies Commission due to report on whether **Lonrho** can bid for **House of Fraser**, Lex looks at the two companies' positions and the battle lines they are drawing ahead of the announcement. In the U.S. the struggle for **Marathon Oil** between **Mobil** and **U.S. Steel** has reached a critical stage and Lex looks at the state of the bids before turning to a discussion on the new accounting standard FAS52, replacing FAS8. Lex then briefly reviews a quiet day in the markets in which gilt-edged stocks lost ground while equities generally advanced. On the bids and deals front **H. Brammer** is moving into the U.S. with a £5½m acquisition.

Fenner falls, but optimistic

PRE-TAX PROFITS of **J. H. Fenner and Company (Holdings)**, power transmission engineers, finished the year to August 29 1981 well down at £8.56m, *compared with* £9.52m, after declining from £4.26m to £3.85m at the interim stage.

However, the directors say that towards the end of the financial year slight signs of increasing demand appeared in the UK. This improvement has continued in the first two months of the current year but "it is still very modest and *cannot be regarded* as a sustained move out of the recession," they point out.

Trading conditions are expected to remain difficult for a considerable time yet — the group's forward planning is *based on this assumption*. Nonetheless, looking at the group's strength overseas and the effect of new technologies and products the directors believe that provided manufacturing activity in the UK does not suffer a further significant decline there are reasonable prospects in the current year to returning to the record level achieved in 1979-80.

Turnover for the year under review advanced by 9 per cent from £120.15m to £130.5m. The pre-tax profit was struck after net interest charges of £3.34m (£2.94m) and other costs.

Although stated earnings per 25p share showed a drop from 20.24p *to 16.23p, a same-again* final dividend of 5.37p maintains the total at 9p. Current cost accounting reduces the pre-tax *figure to £4.57m and on the same* basis earnings per share are given at 4.52p.

● comment

Fenner is motoring out of the recession on the strength of its overseas activities. A volume decline of 13 per cent at home has been well offset by a 31 per cent gain abroad in the year. Trading profits, as a result, have only slipped by 6 per cent. Largely to support this international expansion, capital spending jumped 50 per cent in the year to £6m. With the increased *element of foreign borrowing*, capital gearing has inched up to about 57 per cent. This would be more worrying if the over*seas divisin nwas not doing so* wellso far only India seems to be performing poorly. The new U.S. acquisition, Stone, has apparently kicked in some *£700,000* in its first full-year contribution. Loss elimination in fluid sealing, continued strength overseas and steady business with the NCB point to pre-tax profits this year of about £9.5m. Shares up 11p to 160p have a prospective fully-taxed p/e of just under 11, which is well supported by a 8.3 per cent yield.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div	Total for year	Total last year
AAA	int.	1.07	Mar. 1	1.07	—	2.13
Caffyns	*int.*	2.2	Jan. 22	2.2	—	4.5
CH Industrials	int.	0.91	Feb. 5	0.91	—	2.42
Edbro (Holdings)	int.	2	Dec. 31	nil	—	nil
Fairline Boats		0.5	Feb. 4	1.8	1	3.5
J. H. Fenner		5.37		5.37	9	9
Initial Services	int.	3.25	Jan. 18	2.75	—	9
Kleen-e-ze	int.	1.5	Jan. 30	1.5	—	5.5
LRC International	int.	0.7	Apr. 1	0.7	—	2.5
Lynton Hldgs.	int.	1.65	Jan. 6	1.5	—	3.4
Alfred Preedy	int.	0.75	Feb. 15	0.75	—	3.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Receivers for Wood & Sons

Wood & Sons (Holdings), the Burslem based manufacturer of earthenware products, has asked bankers to appoint receivers. At the company's request, the shares were suspended yesterday at 4p.

The joint receivers have been confirmed as Mr J. H. Gaston and T. M. Rogers, both of Dixon *Wilson & Co. of London, and it* is anticipated that they will make a statement in due course.

The company's 1980 accounts *have not been published, but* figures for the first half of that year showed a pre-tax loss of £288.00. For the previous full *year, a £189.787 loss before tax*, was incurred.

Caffyns cuts loss at midway

IN CONTINUING difficult trading conditions, **Caffyns**, the motor agent and engineer, has reduced pre-tax losses from £130,779 to £91,748 for the half year to end September, 1981, on turnover 13 per cent higher at *£32.02m, compared with £28.39m*.

The directors expect the improvement to continue. They are maintaining the interim dividend at 2.2p net per 50p share, bus say this should not be regarded as any indication to the final—the previous final was 2.3p on a loss before tax, of £697,367.

First-half trading profits were £804,655 (£903,199). These were before depreciation of £120,858 (£102,706), interest including display charges £621,767 (£782,755) and £153,778 (*£145,517) contribution to staff* pensions funds.

Tax charge was again £50,027.

FINDLAY HARDWARE

The **Findlay Hardware Group** is to pass its preference dividend due on January 1, 1982.

In October, the company *reported increased pre-tax losses* of £311,000 (£166,000) for the first half of 1981. No ordinary interim was paid and the board said *there appeared no likelihood* of a final for 1981.

KEYSTONE INV.

Pre-tax profits of **Keystone Investment Company**, an investment trust, showed a slight fall from £1.1m to £1m for the year to October 31 1981 and gross income slipped to £1.15m, compared with £1.26m.

Tax for the period took £325,030 (£376,657). A final dividend of 6.6p makes a higher total *net payment* of 10.6p, against 10.5p previously, and a one-for-10 scrip issue is also proposed.

Net asset value per 50p share was down from 284p to 252p.

BIDS AND DEALS

H. Brammer pays £5.2m for U.S. pump distributor

H. Brammer and Co., the bearings and power transmission equipment distributor, has successfully concluded its search for an acquisition in the U.S. with the purchase for $10.1m (£5.2m) of a specialised pump distributor serving the Texan oil industry.

Master Pumps and Equipment Corporation, based in Odessa, Texas, was established in 1968 and has grown at around 30 per cent annually in recent year. It made pre-tax profits of $1.81m (£0.93m) in the year to August 31, when it had net assets of $2.87m (£1.48m).

To help finance the acquisition, *made through a wholly-owned* U.S. subsidiary, Brammer has placed 2.5m new shares through brokers Vickers da Costa at 113p *per share. The shares closed* yesterday up 5p at 125p.

In addition to £2.83m from the placement, Brammer has borrowed $3m from National Westminster in New York. This has left $1.6m (£829,000) of the purchase price to be met from Brammer's own cash resources, which stood at around £5m at the end of June.

Mr R. G. Ffoulkes-Jones, Brammer's financial director, said that Master Pumps would be run as an autonomous subsidiary retaining the present management, including the founder and vendor, Mr W. E. Tally, who is to remain as chief executive officer.

Pumps represent a new sector for Brammer but the distribu*tion and service nature of the* Texas company's business "tie in very closely with our business and philosophy in the UK," said *Mr Ffoulkes-Jones last night.*

Brammer has been pleased with the performance of Pepe Machinery, the U.S. grinding *spindle manufacturer* which it acquired in 1979 for just under $3m, and further expansion in the U.S. is not ruled out. But the *company said* last night *that it* now had "a reasonably substantial involvement" there and would have an open mind about *the location of any future* acquisitions.

Mr John Head, Brammer's chairman, and Mr Ffoulkes-Jones will join the board of Master Pumps as non-executive directors.

Brent Chemicals to pay £3m for Reddish

Brent Chemicals International, the industrial chemicals manufacturer, yesterday announced an offer to purchase for £3m the **Reddish Chemical Company** and **Reddish Detergents**. The deal is subject to a satisfactory accountants' report on Reddish and the approval of Brent's shareholders.

The offer has already been *irrevocably accepted* in respect of 59 per cent of the shares in Reddish Chemical and 85 per cent of Reddish Detergents by *certain shareholders including* the directors and their families.

The consideration will be satisfied either by cash or shares, depending on the requirements of the Reddish shareholders.

Brent *said yesterday* that Reddish was a long established supplier of speciality cleaning and sanitising chemicals to the dairy, food processing and beverage industries.

The latest audited accounts of Reddish for the year to April 1981 showed sales of £3.9m, pre-tax *profits of £562,000 and net*-tangible assets amounting to *approximately £1½m*.

Brent said that following the proposed acquisition, Reddish would continue to operate as a *separate unit within the* group. Mr Wilfred John Hipkins would *continue as executive chairman* of Reddish and would enter into a service agreement with Brent, as would the two other executive directors.

The acquisition is expected to be completed by the end of April 1982. Meanwhile, a circular giving further details will be despatched to Brent shareholders in due course.

A. J. Henry receiver accepts offer

A. J. Henry (Travel), the Sheffield-based travel agency which went into receivership on November 30, may be sold as a going concern later this week. Mr Richard Turton, the Spicer and Pegler partner appointed as Receiver and manager, said he had received and accepted an offer for the company and was "*hopeful of concluding a deal* within a few days."

A. J. Henry retains a staff of 32 after 38 redundancies. With eight retail offices in South Yorkshire, it had a turnover in 1980-81 of £7m, trading under *the name of Marina Holidays.*

The company ran into difficulties in October. It received financial support from Tom Hill (Holdings), the London-based agency operating at Trafalgar Travel. Mr Mike Ness, a director of Tom Hill, said it had been intended to purchase the equity of the company but agreement could not be reached with the present owners.

The Receiver, who is understood to be acting on behalf of Yorkshire Bank, said yesterday that he was investigating the *relationship* between the owners, Tom Hill "and any other parties" involved in the financial support given to the company in recent months.

Hanson stake in Berec reaches 21.5%

THE TOTAL holding of Hanson Trust and its subsidiaries in the ordinary shares of *Berec now* stands at 14.39m (21.5 per cent). Acceptances received for the Hanson offers of October 17 1981 amount to 475,369 *ordinary* shares (0.71 per cent) and 52,894 preference shares (26.45 per cent). On December 4 Hanson bought 3.39m shares at 130p (5.1 per cent).

Immediately before the offers were announced on September 4 the Hanson group *owned* 9.95m ordinary shares and subsequently bought another 0.58m.

BURNETT & HALLAMSHIRE

Burnett and *Hallamshire* Holdings has agreed to acquire 23 per cent of the capital of Isle Resources (U.S.) Inc. an unlisted company registered in Texas.

Isle Resources is a natural resource company engaged in the acquisition, exploration and development of oil and gas bearing properties predominantly in Texas and Oklahoma.

M. F. NORTH

Mr A. L. Knight entered into an option agreement on November 23 whereby he has the right to acquire 4.5m shares *in M. F. North, such right to be* exercised on or before noon on December 8.

CLAYTON

On November 27 last, **Clayton, Son and Co (Holdings)** acquired *for £483,000 cash, thet stocks*, work-in-progress, trade marks, drawings, patterns and goodwill of W. H. Baxter (in receivership) and its subsidiary, Bramley Engineering Company.

Baxter and Bramley manufacture stone and ore crushers, ancilliary plant for the gravel and mining industries and stone cutting machinery.

EUROPEAN FERRIES

Mr Keith Wickenden, chairman of **European Ferries**, commenting on bid rumours surrounding the group, says "absolutely no approaches" have been received.

An area where Japan still treads warily

IT MAY seem paradoxical that one of the most advanced forms of consultation in any Japanese subsidiary in Europe was not introduced on the insistence of the Japanese themselves, but at the behest of local British management.

But the genesis of last spring's far-reaching agreement at Toshiba's Plymouth plant only underlines the relative caution with which Japanese companies are approaching the management of their European subsidiaries.

For all the media's publicity about quality circles and the wholesale abolition of barriers, both physical and psychological, between office and shop floor, the reality is less dramatic.

True, productivity and product quality in Japan's new manufacturing subsidiaries—about half of which are in Britain and Ireland—are reaching levels which seem miraculous to many European companies. But not to all. Many a German manufacturer can boast similar standards, as can U.S. subsidiaries in Britain and even some British companies.

The point is threefold. For one thing, most Japanese companies have been decidedly wary about exporting some of their most "Japanese" practices to Europe: only now are a few Japanese subsidiaries beginning to introduce quality circles, in the wake of several hundred European companies which have picked up the fashion from the U.S. over the past two years. And this is not the only practice the Japanese have been reluctant to apply to the West. Lifetime employment, the seniority system of pay and promotion, job rotation, elaborate systems of consensus decision-making—hardly any of these key characteristics of most Japanese management has yet been exported to include westerners, and some of them never will be.

MANAGEMENT

CHRISTOPHER LORENZ

Secondly, most Japanese companies in Britain and Ireland (and to a lesser extent Belgium) have benefited from precisely the same advantages which make many U.S. multinationals scratch their corporate heads in incomprehension when people ask them about all the problems of poor labour relations and productivity.

Not only are most Japanese manufacturing subsidiaries in relatively high technology businesses, where European labour relations are innately better than in older industries, but they have generally been located outside the areas of worst labour unrest. Most of the plants are on "greenfield" sites, they are usually either no-union or one-union (with a few Irish exceptions) and their shop floor workforce consists largely of young and unmilitant women who can be trained relatively easily to conform to strict standards of quality and productivity.

The Japanese are also exempt from the class barriers that bedevil British industry, just as the subsidiaries of German and most U.S. companies also avoid them. Finally, and most important, almost all appear to have a policy of not exceeding 500 employees per unit; and as everyone knows, it is easier to manage a small operation than a large one.

It is not only in labour relations that the much-discussed large Nissan factory in Britain could prove difficult to run. For the third point about Japanese subsidiaries in Europe is that, in many cases, relations between Japanese and local management are far from good. Unless Nissan—and all the other Japanese manufacturers which will soon have to invest heavily in Europe—plan to rely on an unrealistically massive army of expatriate Japanese managers, much more attention will have to be paid to the question of how Westerners can be adapted to the Japanese way of management, or vice versa, if this can be tolerated by head office in Japan.

The difficulties some companies have experienced in inter-managerial relations, as opposed to their generally good labour relations, have emerged from wide-ranging studies carried out by the International Centre for Economics and Related Disciplines, which is based at the London School of Economics.

According to Professor Keith Thurley, "confusion is created for local managerial staff by working in (Japanese) organisations which are 'person' rather than 'job' based." He also says that "considerable problems have arisen from the use of a 'dual employment' system of expatriates and local staff, especially where substantial numbers of expatriates are employed." It is exacerbated by the job rotation system for Japanese staff, which makes assimilation difficult. This system, with its attendant problems, has developed particularly in some of the banks and trading companies. But he says it is also affecting "certain larger factories," which can only bode ill for projects like Nissan's.

One can well imagine the frustration of locals being flanked at almost every turn by Japanese who are far better integrated with the consensus network (Japanese-speaking, of course), which operates partly on the basis of interminable after-hours telephone calls with Tokyo, Osaka or Yokohama.

In some cases, especially in a few long-established trading company subsidiaries, there have even been complaints from local staff that seniority actually counts *against* them for promotion.

An equally important issue spotlighted by the London School of Economics conference was the experience of Japanese companies with their European suppliers and subcontractors. It is decidedly mixed. Within a few days of the top Tokyo management of Matsushita complaining about the unreliability of its UK suppliers, Toshiba told the conference of its success in getting its own suppliers to satisfy its requirements on quality and delivery.

Given that this required a marked improvement in the British companies' performance, it is clear that the indirect effects of Japan's growing investment in Europe could be even more significant than the management of Japanese factories themselves.

WHERE JAPAN INVESTS

	Mining and manufacturing only		Total	
	$m	'000 workers	$m	'000 workers
North America	2,428	36	9,798	69
Latin America	2,781	86	6,168	99
Asia	4,571	418	9,830	450
Middle East	1,064	10	2,259	14
Europe	844	17	4,471	33
Africa	96	29	1,445	36
Australasia	789	15	2,525	22

The dollar figures represent the cumulative value of Japanese investments at March 31 1981 using the exchange rate current at the time the investment was made. The employment figures are as of March 31 1979.

Growth quickens

CONTINUED FROM PAGE 1

too many and too rigorous attemps at control.

Most Japanese companies that enter the EEC as manufacturers are keenly aware of the need to be good citizens in their industries (and as keenly aware of any tokens of appreciation that may come their way—such as the Queen's Award to Industry, presented to Sony Corporation). This does not necessarily mean that they can tolerate any domestic content ratio or any ratio of exports to domestic sales that the host government may choose to impose on them.

The fairest comment that can perhaps be made at present on the relationships involved in Japan's European manufacturing presence is that the two sides are still getting to know each other and should step carefully. The list of genuinely international Japanese manufacturing groups is still short—if by "international" one means a sense of familiarity and ease with conditions in both the developed and the developing worlds. Conversely European officials and businessmen who are required to form judgements about Japanese investors have much less to go on than those who deal with American investors or other Europeans.

The next five years could transform each side's ability to assess the other and lay the foundations for a relationship that could be extremely fruitful for Europe as well as Japan. What may be needed most during the interval is patience and understanding.

Worker management relations meet the challenge

HINTS HAVE been dropped in Tokyo that Nissan's plan to build a multi-million car plant in one of Britain's economically depressed areas now depends mainly on the kind of deal the company can secure with the British trade unions.

It was even suggested that the recent strike at a BL car plant over a management attempt to cut rest periods down in order to pay for a one-hour reduction in the working week could colour Nissan's decision, now expected in the new year.

Nissan executives were said to be "astounded" by the BL tea-break strike and prepared to withdraw their support for the UK plant if long rest periods were insisted on. The BL workers went on strike to stop their breaks being reduced from 51 to 40 minutes a day. In the Japanese motor industry, tea-breaks total 20 minutes a day.

More fundamental to the Nissan calculation than tea-breaks, however, is whether the company can cut through the British trade union structure in the way that other Japanese companies—and some U.S. companies—have been able to do. The Japanese prefer not to have to deal with outside trade unions at all if they can help it. If that cannot be avoided, they try to restrict the number of unions represented to one or at the most two.

In Nissan's case, this has meant a series of secret discussions with the general secretaries of the two major motor unions in Britain, Mr Moss Evans of the transport workers and Mr Terry Duffy of the engineering workers, with Mr Len Murray, the TUC general secretary, also on hand to represent the interests of other unions.

It is not that a British trade union will necessarily refuse to discard the multi-union traditions of the country (a dozen or more societies are represented in most sizeable engineering establishments)—provided only that it is they who win the contract for sole bargaining rights.

This kind of auction, in which history, pride and jealousy influence the bidding, is not peculiar to the Japanese. A well-known U.S. company recently conducted a similar exercise in which, apparently, the bidders promised in advance that if they lost they would not try to get in by the back door later.

But it is one of the ways in which the arrival of Japanese manufacturing subsidiaries in Europe has shaken up traditional worker-management relationships.

Clearly Japan's own trade union system is not readily exported. To begin with, workers have union organisation only in the large concerns, led by the conglomerates like Mitsubishi and Mitsui. These conglomerates are supplied by thousands of cottage-industry subcontractors, often manned by older workers who have outgrown the unique employment guarantee given by the big manufacturers: indeed, European workers are wont to complain that this is a major reason for their inability to compete with the Japanese.

Secondly, Japanese unions are company unions without the wider political or social aspirations of the industrial organisations of Europe and the U.S. Company unions are viewed with some derision in the West, and indeed may not be regarded as unions at all. The Japanese structure reflects a peculiar loyalty, and identification with the employer's interests that is found only in small enterprises in the West.

Many senior executives of Japanese firms have at one time been officials of the company union a link that makes irrelevant the somewhat artificial worker-director systems developed in countries like West Germany.

Japanese subsidiaries in Europe may recreate something of the company union atmosphere by insisting on single-union representation. To take another example from the UK, which has the biggest share of Japanese investment in Europe, some $2bn worth: the recreated Toshiba TV plant in Plymouth, Devon.

Early this year Toshiba reached agreement with the Electrical and Plumbing Trades Union on a system that combines bargaining rights, disputes procedure and a form of industrial democracy with single status conditions for all staff. An advisory board elected by all the workers, whether members of the union or not, is the vehicle not only for consultation (the union says it is genuine pre-decision consultation) but also for wage bargaining. Disputes are to be taken to win-or-lose arbitration — described as the "pendulum" system.

The Toshiba deal recently excited much comment in the British press, which described it as a "no-strike agreement," something virtually unheard of in British industrial relations. Closer examination reveals that to be an exaggeration: it is a disputes procedure that may have the effect of making strike action unnecessary.

LABOUR

CHRISTIAN TYLER

Other trade unions still look on Japanese methods with suspicion despite the apparent success of individual enterprises. The flood of West European visitors — managers and union officials alike—to the Japanese industrial showpieces attests to their curiosity. But unions suspect that Western employers are more interested in emulating Japanese manning levels—whether in steelworks or car plants—than in copying the consensus management style that in Japan goes with efficient manning.

So, for example, "quality circles," a U.S. invention picked up and developed by Japan after World War II, have been viewed with some alarm. Although they support the aim of raising product quality, unions distrust an innovation that appears to by-pass their own chains of command. Nonetheless there is evidence that "quality circles" are being successfully employed outside Japan.

Quality circles have been introduced by Ford in most of its European plants, including parts of its Dagenham works in Essex. This is part of a much wider strategy known as the AJ ("After Japan") proposals: so called because they are the result of a Ford management visit to the country to explore ways of meeting the threat of Japanese competition.

The AJ proposals have caused particular difficulty in the UK, where the company believes that most needs to be done to tighten up, and loomed large in the recent wage negotiations with the company's 70,000 UK employees. The aim could be to cut the workforce by as much as 40 per cent by 1985.

There are six main areas of reform, of which quality circles is only one. They are preventive maintenance, job mobility, unofficial relief time, demarcation lines, and changes in job content.

Japan cannot export her own system of industrial relations because of the vast cultural differences involved. But the ethos of Japanese management has already been introduced in Europe and its classless, participative, employee-orientated principles are finding a response. After all, trade unions have for years argued that there is no law of economics that dictates that managers should enjoy privileges at work when they can buy those privileges at home with their higher salaries.

Some of the points of contract between Japanese and European management thinking about industrial relations were identified at a symposium in Tokyo last month sponsored by the EEC Commission and the Japanese Ministry of International Trade and Industry. Mr Karl-Heinz Briam of Volkeswagen's board of management, told the gathering: "Companies everywhere are realising that co-operation rather than authoritarian management is more effective. We want everyone to identify with his work and not become alienated because work is an essential ingredient of human existence."

He said that the European manager was the head of a team, while the Japanese seemed more like the promoter of a group "which makes important decisions in accordance with the principle of consensus.

"This system is certainly more time-consuming, but the advantages are obvious: accuracy of decisions, a high degree of acceptance among those concerned and therefore a high level of efficiency."

MINING NEWS

Inco to cut nickel output

BY GEORGE MILLING-STANLEY

CANADA'S Inco has announced further moves to shore up its position in the face of the continued weakness in the nickel market. The company is the world's biggest producer of the metal, demand for which has been hit by the sharp downturn in the world steel industry.

Inco's latest steps include four-week vacation shutdowns at the mining and processing operations at its big Sudbury division and Shebandowan, both in Ontario. These shutdowns are planned to start on July 5 next year.

A similar four-week shutdown, starting on July 19, is scheduled for the Port Colborne nickel refinery and research station, also in Ontario.

Apart from the vacation shutdown, operations at the Shebandowan mine and concentrator will be reduced from two shifts per day to one. This change should be completed by February 1 next year, and Inco said that the necessary cut in the workforce, involving some 55 employees, is expected to be achieved mainly by natural wastage.

In addition, there is to be an orderly reduction in operations at the Coleman mine in the Sudbury division, with the result that the mine will be on a standby basis by March 1, 1982. This rundown is to start immediately, and will affect about 190 workers, who will be transferred to other operations in the area.

Inco said it is considering other measures, and further cuts in production may be required.

The shutdown plans have apparently been discussed with the local trade unions. Most workers have enough vacation entitlement to cover the closure periods, and the others will be allowed to borrow against future entitlement, Inco said.

The company said the cuts were made necessary by the depressed state of the nickel market, and added that it must maintain a prudent balance between output and sales. No rapid improvement in world demand for nickel is forecast.

In line with the rest of the nickel industry worldwide, Inco is currently operating at about 70 per cent of capacity. The latest cutbacks are not likely to have any significant impact on overall output, as Coleman and Shebandowan each account for less than 5 per cent of the total production capacity of the Sudbury division.

The moves come just over a month after Inco announced a decision to mothball its Exmibal mining and processing operations in Guatemala, with a production capacity of 25m pounds of nickel a year, on the basis that they were unlikely to make a profit for perhaps the next four or five years.

ERP omits final payment

THE FALL in the gold price coupled with the heavy cost of the continuing modernisation and expansion programme has resulted in South Africa's veteran East Rand Proprietary Mines deciding not to pay a final dividend for 1981. This follows the sharply reduced interim of 50 cents (27p). A total of 370 cents was paid for 1980.

Durban Deep, the other veteran producer in the Barlow Rand group, is declaring a reduced final dividend of 100 cents. This makes a 1981 total of 185 cents against 460 cents for last year.

Blyvoor, which has heavy capital spending in hand, is cutting its interim for the year to next June to 100 cents from 160 cents. The 1980-81 final was 100 cents.

ROUND UP

AMERICA'S second biggest copper producer, Phelps Dodge, expects that fourth quarter results will show a small net profit thanks to some extraordinary items. As already announced, third quarter profits amounted to \$2.6m (£1.3m), making \$56.9m for the nine months compared with \$62.4m.

Mr George Munroe, the chairman, says that while copper prices have declined in real terms to their lowest levels for 50 years, reflecting the depressed state of many of the principal copper-using industries, reported copper stocks remain at low levels. He thus expects a strong rise in copper prices when the world economy begins again to move forward.

* * *

The Malaysian tin-producing Pengkalen says that its dredge now has only two to three months' profitable working life owing to the need to work the remaining reserves on a more selective basis. The Board is continuing its search for alternative mining prospects.

UK COMPANY NEWS

Geo. Bassett shows tenfold profit rise

THE ACTIONS taken during the past 18 months to reduce costs and to rationalise the group by selective divestments are reflected in a tenfold increase in pre-tax profits of Geo. Bassett Holdings, from a depressed £141,000 to £1.14m for the 28 weeks to October 16, 1981.

As a result, the company, which makes confectionery, is restoring the interim dividend—after a one year absence — with a payment of 1p net per 25p share. The amount of the final (1.5p last time) will depend upon the year's total profits. Stated half-year earnings were up from 0.55p to 8.49p per share.

Although they say the company has achieved a considerable recovery, the directors are aware of the work still to be done before its rate of profitability can be regarded as satisfactory.

The company's rate of progress is determined, not only by its own efforts, but also by the economic environment in which it operates, they add.

Group turnover for the interim period rose from £34.56m to £37.77m. In the UK the sugar confectionery industry sales are now showing signs of stability and the company has maintained its own share of the home market. The directors say this performance stems from the introduction of new products, together with substantial TV advertising support for its major brands.

In the exports field, the company has increased volume sales against last year although the industry's sales continued to decline. Its share of total exports was therefore significantly increased.

Because of tight control of working capital and some benefit from the divestments made in the first half, interest charges for the period fell from £748,000 to £415,000.

Tax took £97,000 (£46,000) and after minorities, attributable profits climbed sharply from £69,000 to £1.03m. There were extraordinary debits of £155,000 (£394,000), being £86,000 (£164,000) from disposal of surplus capacity with the balance from disposal of subsidiaries.

● comment

Bassett's post-operative recovery has been admirably swift. After slashing costs nearly a third over the last 18 months, trading profits in the sweets division have now more than doubled. The slimmer speciality foods/leisure operation has boosted sales by more than 50 per cent in the half-way stage and should show fatter margins in the full year. Exports have zoomed to account for 26 per cent of sales—double the share at the year end. Margins have not moved up with this handsome increase, but market share in most countries has improved. While the UK market remains unexciting, the group is massaging brand loyalty with an advertising budget fattened by more than 30 per cent. Borrowings have been further reduced in the six months pushing capital gearing below 29 per cent. The shares took on 10p yesterday to hit 67p where they yield 5.4 per cent. Full-year profits should easily top £2m, which indicates an undemanding full-taxed p/e of around 8.

Alfred Preedy reduces losses at interim stage

FOR THE six months to September 26 1981, Alfred Preedy and Sons, wholesale and retail tobacconist, reduced its taxable losses from £344,000 to £214,000 on turnover 17 per cent higher at £38.73m, compared with £32.99m.

Mr S. L. Preedy, the chairman, says he expects to see an improvement in the full year figures although the second half is clouded by the uncertain level of retail sales for the "vital" Christmas period, and for January and February — months which were "surprisingly buoyant" in 1981.

The net interim is maintained at 0.75p—for 1980-81 a final of 2.75p was paid from pre-tax profits of £974,000 (£843,000).

At the operating level the group made a profit of £50,000 (£87,000 loss) but the surplus from the sale of freehold properties declined over the half year from £129,000 to £39,000. Interest charges were lower at £303,000 (£386,000) and there was again no tax charge.

Both the wholesale division and newsagent shops performed strongly and a valuable contribution was also made by the specialist china and glass shops.

In October the group was granted sole rights to distribute Ronson lighters, gas products and pens to the trade throughout the UK. Significant contributions to profits are looked for from this source once the operation has been firmly established but the cost of initial working capital means no material impact on profits is anticipated in the current year.

LRC advances to £3.83m midway

LOWER NET interest charges of £1.06m, compared with £1.71m, helped LRC International the home and healthcare products group, boost its first-half taxable profits by 12 per cent, from £3.42m to £3.83m.

Turnover for the period, to September 30 1981, edged ahead by 4 per cent to £59.55m (£57.35m), partly reflecting the policy to divest product lines outside the main business. Trading profits, however, emerged marginally down at £4.89m, against £5.13m.

Sir Edward Howard, the chairman, who describes the profit increase as a considerable achievement in the present economic conditions, points out that the reduction in interest costs reflects the lower level of borrowing arising from the rationalisation programmes which started two years ago.

He says the group is now in a position to concentrate on opportunities for growth, both from within, by expanding markets and developing new products, and also by acquisitions in its own field.

Commenting on the announcement in mid-November that manufacturing at Lydney would be phased out over the next two years and UK-based latex glove production would be consolidated at Chingford, Sir Edward says this is a further move in the group's reorganisation plan. Redundancies will result from the closure, but the chairman says costs had to be cut in order to meet increasing competition in this market.

The net interim dividend is a same-again 0.7p per 10p share—a final of 1.8p was paid for 1980-1981 from taxable profits of £7.03m.

● comment

Rationalisation at LRC is showing through more satisfactorily in the group's gearing than it is at the trading level. The 12 per cent improvement in interim pre-tax profits is fully accounted for by LRC's de-gearing over the last year: by the end of September there was nearly £10m less debt to service (at 1981 exchange rates). UK volume in the main product lines is generally rather depressed although sheaths have held steady, more or less. But the hot-water bottles of Haffenden-Richborough have had a much easier time, now that imports from the USSR have abated, and that division—which also contains a better showing from Duraplug — has put up the strongest performance in the group. The true contribution from North America is obscured by the recapitalisation of LRC North America (adding about 50 per cent to North American trading profits) and the group policy on exchange risk (which has resulted in a first half loss of £0.5m as foreign currency operations were matched by depreciating foreign loans). On balance, LRC's progress is rather disappointing: last year's reductions of more than 20 per cent in the UK labour force might have been expected to result in higher trading profits, but they have yet to appear. Down 1½p to 44p, the shares yield 8¼ per cent. A prospective fully-taxed p/e of 10.4 is not asking a great deal, but not much is expected of LRC in the near future.

C. H. Industrials slides to £16,000 half way

THE LOSS of business from MG and TR7 sports car production has had a severe impact on the overall result for CH Industrials for the six months to September 30 1981. Pre-tax profits slumped from £135,000 to £16,000 on turnover down by £1.57m to £6.5m.

Although trading results will remain depressed during the second half the directors say that actions already taken should ensure a return to substantial profits next year. The financial position of the group remains strong and acquisitions will continue as planned. The interim dividend is held at 0.9075p.

In the last full year a total payment of 2.42p was made from pre-tax profits of £701,000 on turnover of £14.78m.

The automotive trim division was hit by the loss of sports car production. While performing satisfactorily the directors say, the synthetic foam division has suffered from difficult market conditions and severe price competition. This was partly offset by a sharp improvement in the building products, including Beaver paints, with results at record levels.

No property development profits were taken during the first half of the year in the property division.

Faced with a major contraction in the automotive trim division, outline plans have been completed to launch new products in the after-market for car accessories and car-care. These plans will be completed over the next 12 months.

In the synthetic foam division the directors are confident that business is on a sound footing and can take advantage of any upturn. The building products division continues to grow and will show a substantial rise in profits for the current year.

The property division has expanded in line with the policies explained last year. The division is engaged in six light industrial and warehousing developments totalling 250,000 sq ft with an estimated capital value of about £7m. These developments will realise development profits progressively over the next 18 months.

At the operating level profits slumped to £14,000 against £180,000 last time. The result includes a loss of £54,000 from Compra, which contributed £1m to group sales.

Associated profits emerged at a break-even £2,000, a sharp improvement on losses last time of £45,000. Associated companies include in the U.S., Aston Martin Lagonda and Aston Martin Lagonda Sales which became associates during the first half of 1981-82.

Attributable earnings emerged sharply lower at £23,000 compared with £90,000 last time, yielding stated earn- per share of 0.19p, down on 0.74p before. This was after minority interests contributed £7,000 (nil), relating to Audmore Properties, which became an 80 per cent owned subsidiary on April 5 1981.

There was no charge for taxation (£45,000).

● comment

A poor first half in its trim and synthetic foam divisions is the main reason behind the 83 per cent decline in the pre-tax profits of C. H. Industrials. The group has yet to succeed in offsetting the negative impact on its automotive trim division of the closures last year of the BL's MG and TR-7 production lines. Overall results were worse than expected because the TR-7 line was closed earlier than anticipated. The synthetic foam division has suffered from difficult market conditions and severe price competition. These factors have been partly offset by a continuing good performance in the building products division, with profits up by £¼m over last year. The trading outlook for the second half is bleak and the forecast of a return to substantial profits next year is based on the assumption that the group's property division will realise development profits progressively over the next 18 months. The group is hoping to have at least two of the six industrial sites currently under development fully let over the next year. The company also plans to diversify its automotive trim division into the after-market for car accessories and car-care and a number of acquisitions in this field are planned. The shares eased ½p to 23½p yesterday. A maintained dividend would yield 16 per cent but cost nearly £300,000.

Better trend at Kleen-e-ze

FOR THE first half year to October 7 1981 Kleen-e-ze Holdings has turned in a pre-tax profit of £63,639 and although this compares with £232,771 last time, it reflects the expected slight improvement over the previous six months' loss of £41,934.

The directors believe that the improvement will continue during the second six months. First-half turnover of the company, which makes energy saving devices, brushes and cleaning products, amounted to £5.83m (£5.7m).

Tax charge was down from £121,041 to £33,092. The interim dividend is maintained at 1.5p net per 25p share—last year the total was 5.5p on a taxable profit of £190,837.

Ellenroad Mill deficit down at six months

RADICAL restructuring has sharply reduced pre-tax losses at Ellenroad Mill, spinner of cotton and man-made fibres, for the six months to September 30 1981. The deficit has fallen from £139,393 to £23,323 on turnover marginally lower at £1.73m, against £1.84m previously.

The chairman states that the restructuring is nearly complete. Some of the expenses incurred were mitigated by the sale of surplus machinery for £46,290 (nil).

Since August, the chairman adds, the company has been operating profitably in a seasonally favourable period. He is reluctant to forecast results for the full year, but he is confident of the company's earning power when the economy recovers.

There is no interim dividend. The last payment was a final of 1.656p in 1979.

Pre-tax losses were struck after depreciation which held steady at £44,866, compared with £44,099, and interest charges much lower at £47,643, compared with £74,329 before.

Redundancy costs took less at £20,952 against £29,305 last time. There was a reduced credit for tax of £12,128 (£72,484) and attributable losses emerged much lower at £11,195 (£66,509).

Sumrie sees 'break-even' second half

A reduction from £178,000 to £137,000 in its pre-tax losses is reported by Sumrie Clothes, clothing manufacturer, for the six months to September 26 1981. Turnover was down from £1.77m to £1.26m. The pre-tax figure was struck after interest charges down from £59,000 to £6,000. There is again no tax charge.

The company is now returning to full production at its three factories and this, with a reasonable forward order position, leads the board to believe that the trading results for the second half will be close to break-even.

A reduction in general stock levels was achieved during the first half, and this resulted in a substantial cut in bank borrowings and lower interest charges. The board says overhead costs have continued to be pruned, although the full benefits arising will not accrue until early 1982.

Edbro returns to profit and pays 2p

MEASURES taken to restore profitability and cut borrowings at Edbro (Holdings), engineer, have been successful and for the half-year to September 30 1981 the group has turned in a pre-tax profit of £1.1m, against a £1.3m loss last time. Unless trading conditions worsen, the directors say second-half results should be similar.

In the last full year, the group made a pre-tax deficit of £3.88m (£1.24m profit) and paid no dividends. However, the directors are now paying an interim of 2p net from stated earnings per 25p share of 12p.

The first-half profit was struck after lower interest of £0.6m (£0.9m) and included this time windfall profits of £0.4m from the release of year-end stock provisions no longer required. Tax took £0.1m (nil).

The actions carried out by the group included cutting costs, ending unprofitable activities, raising prices, selling off surplus assets and reducing inventories.

Net borrowings have fallen from a peak £9.4m last December to £3.6m while gearing has improved sharply from 88 per cent to 39 per cent.

● comment

Edbro's return to profitability masks a sharp drop in volume. Despite raising prices by about 25 per cent earlier in the year sales were down 3 per cent from the corresponding period. The company has lost its market in North America as a result of combining the price increase with a policy of holding sterling export values. The company has continued to reduce its working capital, but redundancies are at an end. Property disposals include the selling of its old HQ in Manchester. Three other buildings are up for sale, which should bring in at least another £1m. Edbro also sold some minor businesses, notably Solid Waste Engineering. As a result of these measures, net borrowings have fallen 62 per cent from last December's peak, to £3.6m, and gearing is now out of the danger zone. This has encouraged the company to pay an interim of 2p, albeit 12 per cent lower than when last paid two years ago. Assuming a final of about 3p, the share price, up 5p at 65p, yields about 11½ per cent, an attractive figure, as it needs to be, with demand static at the collapsed levels of last year.

LINREAD

Mr A. H. Lynall, chairman and joint group managing director of Linread, told the AGM that it is anticipated the company will return to profitability in the first half of the current year.

Evered trims half-time loss to £202,000

After lower interest charges of £78,000, against £120,000, pre-tax losses of Evered and Co. Holdings, engineering concern, have been trimmed from £245,000 to £202,000 for the first half of 1981. Sales were reduced from £6.66m to £4.38m.

Following the omission of dividends last year, there is again no interim in 1981. Also the preference dividend due on December 31 1981 is not being paid.

There is no tax (£1,000 charge) and stated loss per 25p share decreased from 4.3p to 3.5p. An extraordinary debit this time took £130,000.

The directors say trading levels during the second half of this year to date have shown a marginal upturn overall, although increased interest rates have affected demand in the company's light engineering activities and slowed the rate of improvement seen at the time of the last AGM.

However, trading losses have continued to be reduced. The directors continue to make efforts to accelerate the improvement and to reduce the level of bank borrowings. They feel that provided there is no further deterioration in the UK economic situation, 1982 can be faced with confidence.

Castings drops to £194,030: holds interim

In the first six months to September 30 1981 pre-tax profits of malleable ironfounder Castings fell from £214,382 to £194,030 on lower turnover of £2.04m compared with £3.08m.

The interim dividend is being maintained at 0.42p; last year a total of 2.42p was paid out of taxable profits of £511,490. Earnings per share for the six months are given as 1.38p (1.52p).

The directors say that competition remains keen and the home market continues to show erratic demand. The half year figures were affected by heavy increased demands for general rates.

Tax took £100,900 (£111,500).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Alpine Soft Drinks, Birmingham Mint, Bristol Evening Post, Cable and Wireless, Coalite, Cray Electronics, Doornfontein Gold Mining, Driefontein Consolidated, Elliott Group of Peterborough, Globe Investment Trust, Imperial Continental Gas, International Timber, Kloof Gold Mining, Libanon Gold Mining, Linfood, Marling Industries, Montague L. Meyer, Mitchell Somers, Rolfe and Nolan, United British Securities, Venterspost Gold Mining, Ward and Goldstone.

Finals: Archimedes Investment Trust, Baggeridge Brick, Bass, Thomas Borthwick, Matthew Brown, Construction Holdings, Deelkraal Gold Mining, NSS Newsagents, Vlakfontein Gold Mining, Wolverhampton and Dudley Breweries.

FUTURE DATES

Interims—	
Bishop's Group	Dec 11
Brownlee	Dec 10
Chapman (Balham)	Dec 15
London Merchant Securities	Dec 15
Unigate	Dec 17
Whittington Estates	Dec 11
Finals—	
Associated Sprayers	Dec 11
Bluemel Bros.	Dec 16
Dobson Park Industries	Dec 14
Johnson and Firth Brown	Dec 11
Leech (William)	Dec 15
Lloyds Bank	Feb 19
Northchart Investments	Dec 11
Redfearn National Glass	Dec 15
Saatchi and Saatchi	Dec 10
Whessoe	Dec 17

JAPANESE INVESTMENT IN EUROPE V

Here and on the following pages, FT writers examine Japanese projects and opportunities in various countries and regions

Growth area is 'Silicon Glen'

SCOTLAND
TERRY GARRETT

SCOTLAND and Japan enjoy one of the most pleasant of trading relationships — Scotch. The Japanese whisky industry uses Scottish malt to mix with its own domestically produced spirit and a number of Japanese companies have small shareholdings in the quoted Scottish distilling companies.

Japan is perhaps better known for the quality of its electronics than its whisky, but oddly enough there is a thread that connects the two industries and is a factor behind the establishing of a rapidly expanding electronics industry in Scotland. The fine Highland water that is the basis of malt whisky is evidently equally suitable for microchip manufacture.

The Scottish Development Agency's (SDA) main strategy is to build on the electronics industry to rejuvenate areas hard hit by recession. "Silicon Glen" may not be as famous as the States' "Silicon Valley" but it's better there.

A real feather in the SDA's cap was attracting Nippon Electric Company (NEC), Japan's largest semi-conductor manufacturer to invest £40m in a new microchip venture in Livingston, one of Scotland's new towns. The plant was subject to intense competition from other areas which also wanted NEC's investment. The company already assembles integrated circuits in Ireland and the Irish authorities were understandably keen to get NEC to build its further plant on Irish soil. West Germany and Belgium were also interested.

The NEC decision was followed up a couple of months later in August by further major news. Motorola, the U.S. electronics company, is going to invest £50m on a plant making integrated circuits in East Kilbride, another new town.

A considerable infrastructure is becoming established for the electronics industry and inevitably success follows success when it comes to encouraging newcomers to the region. The NEC decision is a major breakthrough for the Scots and the hope must be that others will follow in their wake.

The Scots promote the image of a highly qualified potential workforce—there are eight universities—the wide range of electronic component suppliers in the area and of course there are financial "carrots." For companies starting "green field" developments there can be considerable financial assistance from the local authorities and central government.

There are two main lines of financial help. Regional development grants, administered by the Scottish Office will help cover the cost of building new plant and machinery—22 per cent in a Special Development Area or 15 per cent in a Development Area. Then these can be topped up by Selective Assistance, in this case administered by the Secretary of State for Scotland. There are broad guidelines for all regions but action will be more at the discretion of the local men on judging the projected development of the business.

Then there is the EEC's European Regional Development Fund. The NEC factory in Livingston will be advanced £6m from this source.

Of course the SDA can have little real hope of encouraging a project such as Nissan's to the region. For the time being it must be content with pursuing the Japanese electrical and electronics industries, though it is already casting its eye towards the rapidly developing Japanese health care sector. In Japan it is a rapidly developing industry. Canon for example, better known in the UK for its cameras, is moving into the medical equipment field.

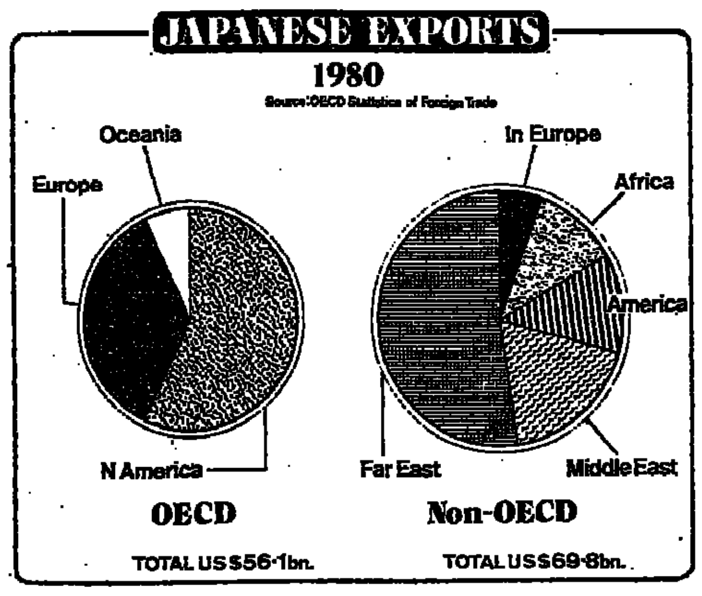
Dr Jean Pierre Lehmann, Director for the Centre of Japanese Studies at Stirling University, believes that the Japanese are not ready to expand their health-care industry beyond their own country yet. But in five or six years the SDA may be able to convince the medical equipment industry to follow in the steps of the electronics sector and come to Scotland.

Dr Lehmann, one of the UK's leading experts, believes that Japanese investing in Scotland have two main worries. The first is political and general to the whole of the UK. In many instances the Japanese are using the UK as their main base for the whole of Europe. There is therefore concern that the UK may at some stage withdraw from the European Community — a move which would clearly throw their plans off course. At present this fear must be receding, though a swing in the political climate could see its re-emergence. After all, decades of industry investment are being structured, not just for the next couple of years.

The second factor is very localised and one which Dr Lehmann, with the aid of the SDA, hopes to put right fairly soon. The Japanese when in other countries do tend to congregate — especially within their own industrial sectors where they can meet fellow countrymen of "like" minds and keep an eye on the competition.

Thus the Scots have high hopes of the Japanese presence in Scotland expanding. But Scotland lacks any specialised educational facilities for the Japanese managers' families who come over. There is a Japanese school in London, and Wales has a special Saturday school for the Japanese community's children. Scotland has nothing.

With the NEC microchip factory coming along, the number of Japanese families in Scotland associated with the running of plants could double to 20 or more. As NEC expands, the figure could substantially increase.



So many hidden advantages

IRELAND
BRENDAN KEENAN

IT IS the proud boast of the Irish Industrial Development Authority (IDA) that Ireland is the leading location for Japanese investment in Europe. That claim has had to be modified as Japanese interests broadened, but it is still true that investment in manufacturing is highest in the Irish Republic than anywhere else in the EEC.

It is manufacturing investment that the Irish seek to attract and they are confident that they can maintain their leading position.

Although the Japanese have moved into Ireland in considerable strength, Japanese caution is perhaps reflected in the fact that they account for only 11 of the 800 foreign firms which have been located in the Republic.

But the total projected investment of these firms is more than I£ 125m. At present they employ more than 2,000 people although, if the full potential were realised, that figure would rise to nearly 4,000.

Several reasons can be identified for the attraction of Ireland as a location for Japanese investment. Not least is the fact that IDA has identified Japan as a key target area for its promotions and believes that the Japanese need special treatment.

So IDA keeps a permanent office in Tokyo, staffed by Japanese-speaking executives. More particularly, the Far East is the only geographical—as distinct from industrial—section at IDA headquarters.

Nor does the Republic have the trade problems with Japan which can sour relations with other countries. While it is true that Ireland's trade deficit with Japan is of the order of I£ 180m for 1981, most imports such as cars and electrical goods do not compete with native Irish industry.

So, while the Irish would like to sell more to Japan, they view Japanese investment in Ireland as a reasonable trade-off. Japanese members of last month's investment mission to Europe commented on the different approach in Dublin, where they were presented with brochures in Japanese about investment opportunities in the Republic, and given no lectures about Japanese trade imbalances.

The Irish believe that they also have hidden advantages which Japanese thoroughness in examining all aspects of an investment location have brought to the fore. These can be minor but significant in a close contest—IDA men are not loth to point out that less than I£100,000 can buy a period house with substantial grounds, or that some of the world's finest golf courses are available for I£100 per year.

Asahi is much the biggest single Japanese investment in Ireland, with over I£48m due to be spent on its polyacrylic fibre and acrylic yarn plants. The recession in the fibre industry has meant that the plant has shown losses since opening up in 1976 and the hopes for further development have not materialised.

Asahi has stayed in Mayo, however, and both the company and IDA express optimism that the worst of the shake-out in the European industry is over. If they are right, the modern Asahi plant should be in a good position to take advantage of improved trading conditions.

The first stand-alone Japanese manufacturing in the Irish Republic was Mitsui Denman's plant in Cork. The company employs 145 in its electrolytic manganese dioxide plant. Ireland was chosen as the location in 1974 when Mitsui were reviewing several European countries.

One of the more intriguing Japanese investments is the Noritake/Arklow pottery operation some 40 miles south of Dublin. Noritake makes high-quality porcelain tableware but it also took over the long-established Arklow operation, which had concentrated on mass-produced, cheap tableware.

The strangest Japanese venture is the small cheese-making plant in Donegal. This was intended to sell cheese to the Japanese market but transport costs proved prohibitive. However, it has been a successful operation since 1971.

Top electronic groups are prospering

WALES
ROBIN REEVES

WALES HAS made a speciality of seeking to attract Japanese manufacturing investment and its efforts have brought significant success. No fewer than seven Japanese companies have established manufacturing subsidiaries within Welsh borders over the past nine years, an eighth is definitely on the way, and three Welsh sites are in the running for the most ambitious Japanese manufacturing project ever contemplated in Europe—the Datsun car assembly plant.

Existing Japanese manufacturing plants already give Wales the largest concentration of Japanese manufacturing investment in the UK, and possibly in Europe, though the republic of Ireland might quarrel with the latter claim.

This success stems not least from the foresight of the Development Corporation for Wales, which is responsible for promoting inward investment to Wales. Corporation executives began visiting Japan in the early 1970s, long before it became commonplace, to seek out companies contemplating overseas investment.

The first Japanese company to arrive in Wales was the Takiron Chemical Company, which established a plant at Bedwas, north of Cardiff, in 1973, to manufacture translucent pvc sheeting. The most recent has been the Hoya Lens Corporation which, last year, opened laboratories in Wrexham to manufacture ophthalmic lenses to prescription.

In between, a majority of the world-famous names in Japanese consumer electronics—Sony, Matsushita, Hitachi and Aiwa—have opted to put down roots in Wales and all have prospered.

Sony headed the field of consumer electronic companies, arriving to establish its first European television manufacturing plant at Bridgend in 1974. Since that initial investment, Sony has undertaken a further £6m programme to expand output of television sets to 150,000 a year and provide new buildings for quality research and development work.

Last year, the company decided to invest a further £10m in a new building and facilities alongside its existing factory to manufacture television tubes.

Diversification at Matsushita, a company perhaps better known by its National Panasonic label, has been, if anything, even more rapid. Since it first began producing colour televisions at its plant just outside Cardiff in 1976, the company has expanded into two more factories on the same site. The first diversification was into music centres and stereo tuners which are marketed under the Technics and Panasonic labels, while the second, announced last year, involved a near doubling of its television manufacturing capacity. The company is now in a position to produce 120,000 colour sets a year.

The arrival of Wales' third Japanese television producer, Hitachi was a little less straightforward. The company originally planned to establish a manufacturing plant in the north-east of England in 1977, but this project ran into vociferous opposition from British television manufacturers and unions who argued that another Japanese producer would seriously undermine the domestic television industry. So that Hitachi felt obliged to withdraw. For a time, the affair cast a serious shadow over the prospects for attracting Japanese manufacturing investment to Britain generally.

However, towards the end of 1978, the affair was given a happy ending when Hitachi agreed to establish a joint venture with GEC to take over the British company's major television plant at Hirwaun, mid-Glamorgan.

This arrangement has resulted in the investment of some £2.75m to re-equip and modernise the Hirwaun plant.

Last, but not least, among the Japanese consumer electronic rivals in Wales has been Aiwa. Like Hitachi, the company was originally destined to go elsewhere in the UK, in this instance to Northern Ireland to take over the Belfast factory being vacated by Grundig. However, Aiwa eventually opted for a site at Abercarn, Gwent, where it has invested £2m, in the manufacture of miniaturised hi-fi systems, for which the company sees a steadily expanding market during the 1980s.

Sekisui and Hoya Lens are the other two Japanese subsidiaries now established in Wales. Sekisui began manufacturing in Merthyr Tydfil in 1978, producing a unique form of polythene foam material with special insulating, shock absorbing and sound deadening properties which has a wide variety of applications in industry and the home.

Hoya is the first Japanese company to be established in North Wales. It began operations in a 17,500 sq ft factory unit at Wrexham just over a year ago, an area with no previous experience of the optical industry.

An eighth Japanese manufacturing company, Yuasa, has still to settle the final details of its Welsh investment, but it has publicly announced its intention to establish a plant at Ebbw Vale to produce a new advanced range of electrical batteries.

In fact Wales's success in winning so high a proportion of Japanese investment to the UK could count against her in the rivalry to secure what every area currently regards as the jackpot—the Nissan Car plant. Certainly, there is a feeling that if the Government is asked, it would prefer the project to go to the North-East — always assuming of course that Nissan does go ahead with the investment.

BL/Honda: success at high speed

JOINT VENTURE

LORNE BARLING

ONE OF the most important Japanese links with British industry in recent years has been the deal between Honda and BL, which came to fruition with the recent launch of their joint venture car, the Triumph Acclaim which has since captured about 3 per cent of the British market.

The agreement between the two companies was one of the most recent in a series of collaborative deals between Japanese and Western car companies, but was notable for the speed with which it was achieved and the car put into production at BL's Cowley plant near Oxford.

Just over 18 months after the agreement was signed by Sir Michael Edwardes in Japan, the car has begun to fill a vital need in BL's model range, and the company is quick to point out that the Acclaim is not merely a stop gap. The more recent agreement between the two companies to develop a larger car, code-named XX, indicates that Honda will play an important part in BL's future.

At present, Triumph Acclaims are rolling off the Cowley production line at the rate of 1,100 a week and estimated British demand of 44,000 vehicles a year seems to have been accurately forecast—a vital factor, since the Cowley production line was designed to operate at optimum efficiency at around the level of 55,000 cars a year, including some 15,000 for the EEC market.

Although BL has the advantage of Honda's production experience of the car, which was manufactured first in Japan, the rush to get it produced in Britain left little time for modifications deemed necessary for the EEC market, in which BL has been given the sole right to sell the car.

However, suspension improvements which were achieved by BL so impressed Honda that they are now being introduced on its own new version, while interior design improvements by BL have also led Honda to incorporate them.

In a broader sense, the co-operation between the two companies over nearly two years has been remarkably successful, according to Mr Ian Forster, BL Cars' director of Oxford and Southern Operations, who is in charge of the Cowley plant.

On one hand, the relationship between BL and Honda has been very similar to that of any buyer and supplier, with the Japanese company providing engines, gearboxes and the plastic fascia for the Acclaim, worth around £500 a car, or £25.3m a year at the present level of production. A royalty on each car is also paid to Honda.

But on the other hand, while Honda has been intent upon ensuring that the Acclaim meets the tough standards applied in Japan, BL has benefitted from being able to buy from Honda Engineering the manufacturing equipment which assembled the car bodies.

Mr Forster has, of course, visited Japan to see Honda's own manufacturing operation and believes the Cowley plant, with a new £35m paint facility, to be as efficient and better in some respects than theirs; although he accepts that unit costs there are lower.

This is partly as a result of less constraining safety legislation in Japanese factories, but more to do with the fact that the average age of men working on the tracks is well below 30 and Mr Forster believes that a young and energetic labour force makes a considerable difference to output.

The overall development work at Cowley, which costs around £70m, has been undertaken not only for the Acclaim, but to meet demands of new BL models such as the LC10 range which will be built there, as well as the transfer of Rover production from Solihull.

Should it be decided at a later stage that the car should be developed in a way which would involve body changes, it will almost certainly be done in conjunction with Honda to reduce the considerable costs. This is therefore yet another area of future collaboration between the two companies.

"Before BL entered the agreement with Honda we satisfied ourselves that we had compatible aims and philosophies, so there has been no need for a set of rules to be laid down.

"Honda had a fund of knowledge on how to produce the car but the way we are producing it is BL's choice, with 80 per cent of our supplies coming from European companies. Honda was chosen because it had the right kind of product we wanted at a point in time when our production engineering resources were stretched," said Mr Forster.

The success of a venture, which grew from expediency, has since led to a closer relationship between the two companies, with plans to pool development work on engines and possibly on micro-chip technology to control engine performance. However, the most significant future collaboration could come in the joint development of power units and gearboxes, which could be used as identical power-trains in different vehicles, sold in different parts of the world by the two companies.

But the most immediate area of collaboration will probably be a quality, high-performance executive saloon, which will fill the gap in the BL product range created by the eventual end of production of the present Rover model. But unlike the Acclaim deal, both sides say this venture would be starting with "a clean sheet of paper," as Mr Forster puts it.

It is likely to be in the £9,000-£15,000 range and to compete with cars such as those produced by Audi, BMW, Peugeot and Renault, with the two companies having the great advantage of being able to split development costs and use the best of each other's technology and resources.

Honda, which is the world's largest manufacturer of motor cycles, was a late entrant into the car business compared with the Japanese companies such as Nissan, and its cars are all small to medium size, so it is a logical step for its next model to be in the proposed category.

Overall, the prospects for further collaboration between the two companies now seem good, given that their aims seem to complement each other well, but only time will tell how far it will go in the long term.

Where Nissan could lift the gloom

NORTH OF ENGLAND

TOM HEANEY

MATCHED AGAINST the strong industrial presence of the U.S. — west of the Pennines alone about half the 600 overseas companies operating there are American — the Japanese have yet to penetrate many parts of industrial northern England. It is not for want of pressing.

Where they are located, the general emphasis as elsewhere, is mostly on assembly, servicing and distribution of Japanese plant and equipment marketed in Britain and mainland Europe, with the result that job generation in terms of numbers has not so far been significant. But there are exceptions and the possibility and the region's hope is that there might be more.

In the north-west, the leading exception is YKK (Yoshida Kogyo KK), the world-wide Japanese zip fastener group which has had a UK manufacturing base at Runcorn New Town, Cheshire, since 1970 and claims to be the first Japanese company to start producing in Britain. It employs nearly 300.

In the north-east, the parallel exception is NSK Bearings (Nippon Seiko Kabushiki Kaisha), a major producers of ball and roller bearings in Japan which chose Peterloo New Town in County Durham specifically as a springboard inside the EEC and currently employs just under 230. Optimism in north-east England, where more than one in six are without a job, remains buoyed by its shortlisting earlier this year for Nissan's 4,000-job European car manufacturing project.

Today, some believe the prospect is starting to recede, not just for the north-east but for any site in the United Kingdom, but it is not a view shared by the North of England Development Council, nor by Washington New Town which borders a shortlisted site. "We're in discussion with Nissan at present," said an NEDC official.

In terms of Japanese investment, hopes in the north-west are also directed primarily towards the creation of manufacturing jobs. On the northern outskirts of Manchester, Sharp Electronics, the major Japanese producer of video equipment, recorders, micro-wave ovens, small computers, copying machines and other consumer equipment, has its United Kingdom headquarters for distribution and servicing of its imported goods. The company's growth has been extremely rapid and its Manchester workforce now stands at a welcome 270.

Sharp does not at present manufacture in this country and speculation now centres on a potential situation in which it would be the only Japanese electronics major in Britain not to have a manufacturing operation in the country. This would be the case if Sanyo's bid to take over Philips's redundant television factory in Suffolk were to succeed. Sharp said recently that the question of manufacturing in Europe was an issue under "continuous review."

With a combined total of more than 900,000 unemployed on both sides of the Pennines, offering a large pool of skills and factory disciplines coupled with an under-representation of service industry in many towns and little footloose indigenous industry, the reality is that overseas investment of virtually any kind is something to be pursued. In the case of South Yorkshire County Council that has meant the equivalent of knocking on the door in Tokyo. In the past, both the North West Industrial Development Association (NWIDA) and the North of England Development Council have also flown the flag in Japan and continue to maintain close contact.

Non-manufacturing Japanese enterprises can operate on a sizeable scale. In November, for example, Sanyo signed up for a unit of 51,000 sq ft in Warrington New Town, Cheshire, to serve as a distribution centre for its products in north-west and north-east England and in Scotland. Sanyo's arrival will bring the number of Japanese firms operating in the north-west up to 16.

Japanese companies operating in the north-east include, in addition to NSK at Peterlee, Marubeni-Kamatsu, distributors and repairers of earthmoving equipment, Fairfax Automatics (Taito Electronics) and YKK, which recently leased a 2,500 sq ft unit as a distribution centre serving the north-east. All three Japanese companies are located at Washington New Town.

In Cheshire, YKK's manufacturing expansion has been on a scale to gladden the heart of any local industrial development officer. From an off-the-peg advance unit of 12,800 sq ft in 1970 the company moved into a purpose-built factory of 30,000 sq ft which has since been extended in phases of 4,000, 20,000, 24,000, 31,000, 50,000, 21,000, 75,000 and 43,000.

Not all Japanese firms operating in the north are unionised, but those that are include examples of union co-operation which recognise the company union basis of shopfloor organisation in Japan and accept single-union representation in Britain.

As far as northern England goes, the Japanese seem set to stay. Indeed one of them, Norimitsu Shibahara, managing director of importer and exporter Tekmatex Marubeni, which has been based in Manchester since 1960, and chairman of the North West Japanese Society, says there are now sufficient families in the region to justify the setting up of a Japanese school.

A CASE STUDY:

NIPPON ELECTRIC

ICs may be key to next boom

INTEGRATED CIRCUITS could represent the wave of the future so far as Japanese manufacturing investment in Europe is concerned according to Mr Matsumura, a senior executive in the IC division of Nippon Electric Company (NEC). Mr Matsumura believes that European demand for ICs will grow by at least 20 per cent per year for the foreseeable future (even if more conventional industries continue to stagnate) and that Japanese companies who want to keep, or gain, a stake in the market will have to acquire manufacturing facilities on the spot. They will be obliged to enter Europe partly because of the 15 per cent EEC import tariff on ICs which makes exporting from Japan expensive and partly because of the necessity for an IC manufacture to receive a regular input of ideas and suggestions from his customers.

NEC, which is the largest Japanese IC maker, plans to build not just one, but a series of plants in Europe during the next few years on the principle of matching the European involvement of major American manufacturers, such as Hitachi and Fujitsu, have also announced plans to set up in Europe.

NEC's first, cautious, entry into the European IC industry was made in 1976 when assembly operations begun at a plant at Meath, some 150 kms from Dublin. The Meath factory employs about 170 workers and has been reasonably successful according to NEC. Productivity however lags about 10 per cent behind Japanese levels, with the result that the company has decided to build its first fully integrated plant at Livingston New Town near Edinburgh in a region where a number of major U.S. manufacturers are already operating.

The Livingston plant, costing an estimated £40m, will open in August 1982 as an assembly operation employing 100 workers but is expected to switch to integrated production (including wafer manufacture), a year or so later. Full operating capacity will be attained by 1983 by which time NEC hopes to be employing 600 to 800 workers there. By 1985 it also hopes to have increased its European market share from 3 per cent at present to between 5 per cent and 8 per cent.

Mr Matsumura says that NEC chose Livingston for its second European plant because of the ample supply of excellent engineering graduates from the universities of Glasgow and Edinburgh and because of the infrastructure (telecommunications, air transport, etc) available in the region. He also calculates that a plant located in Scotland will be able to obtain specialised materials, and gases, from UK-based suppliers with a plant based in Ireland.

NEC plans to export about 70 per cent of its Scottish chip output and has ambitions to follow Sony Corporation in winning the Queen's Award to Industry.

CHARLES SMITH

Waiting for Mitterrand

FRANCE

TERRY DODSWORTH

IN A carefully staged TV interview at the Paris Motor Show about a year ago, M Valery Giscard d'Estaing, the former French President, took the opportunity to tell the world that France intended to stick rigidly to its unilateral quota on Japanese car imports.

His statement made no concessions at all to international trade agreements. France was determined to maintain a strong motor industry of its own, he indicated, and would not allow this to be disrupted by imports from a country that still made life too difficult for exporters. These comments were followed up by paper processing delays by the French Customs which left hundreds of Japanese cars sitting for months on the docksides.

This fierce defence of the domestic car industry, combined with the occasional virulent attack on Japan's huge surplus with the EEC, has left the impression of unbending French opposition to Japanese commercial expansion in Europe. But the real picture is more complicated.

For the last decade, and increasingly over the last two or three years, Japanese companies have been establishing themselves in France. The list of businesses with a more than token presence now runs to about 60.

Many of these are trading groups and banks, but a significant number of companies in electronics, engineering, and capital goods have set up big export operations, others have entered into joint manufacturing arrangements and a few have started manufacturing.

The French Government's attitude to these investments is based on a policy of defence of "strategic" industries. Cars are the most striking example. But France also has a TV industry, for example, which is defended by EEC-approved quotas on Japanese goods. In any sector where the country is making a big effort to develop, it is difficult to envisage permission for inward Japanese investment.

The two largest Japanese companies to have taken the plunge and established production lines are YKK, the zip fastener producer, and Sony, the electronics consumer goods manufacturer. Both are now sizeable employers—YKK has about 300 employees and Sony 380—and both seem to have found their entry into France smooth and relatively uneventful.

One strong and distinguishing characteristic of these two companies is that they both have a deliberate policy of overseas development.

The third most significant of the Japanese investors, Ajinomoto, the chemicals group, came into France to launch a joint venture in a company called Eurolysine about five years ago. Its reasoning appears to have been much more technical than strategic or political. The Japanese company was interested in certain techniques developed in France. It therefore linked up in a 50/50 venture with Orsan, which is now part of the Lafarge-Coppee cement and advanced technology group.

Eurolysine has grown from 150 workers at its launch about five years ago to 240 today, and is planning to increase production of its animal feeds nutrients from 13,000 to 20,000 tonnes a year. Like Sony, it also serves the whole of the European market from its French plant.

Another of these technically-based investments is that of Three Bond Europe, the industrial glue group. This company, which started at its factory in the outskirts of Paris only 2½ years ago, says that the main reason for its investment was the problem of conserving its products on the long journey from Japan.

With an investment of only FFr 1m ($179,000) and a small workforce of 11, it is still in the early stages of development. But like the other Japanese companies, it seems to have gained from its proximity to the market.

Other companies have chosen to go into co-operative agreements, allowing French assembly of their products, particularly in areas that might prove sensitive to political pressure: for example, Toyota Machine Works has reached agreement with Ernault-Somua on French manufacturing of a range of its own machine tools; and Toyota's fork lift trucks division has made a similar deal with Braud, the French manufacturer of the Manitou range.

The big question now is whether this steadily increasing level of investment in France will be threatened by the arrival of the Socialists in power.

Few industrialists believe that it will. So far, the new Government has been as open as the last to foreign investment, and in some ways more welcoming. It is true that a certain suspicion of the Japanese remains. There are pressures from the trade unions to defend French industry, and Japanese car imports remain tightly controlled. But in non-strategic areas the process of developing links, now well and truly launched, looks as though it will continue.

JAPANESE INVESTMENT IN EUROPE VII

A central base for distribution

NETHERLANDS

CHARLES BATCHELOR

A WAVE of direct Japanese investment in Europe could, paradoxically, be to the disadvantage of the Netherlands. If Japanese companies decide that the growth of individual markets in Europe demands that they establish local manufacturing plants then the Netherlands could be the loser.

The country's geographical position and its highly developed trading skills dictate that its main attraction is as a distribution centre. Relatively high labour costs and a home market of only 14m people do not recommend it as a base for manufacturing.

The Dutch have traditionally followed an open borders policy and have welcomed the inflow of Japanese investment. Buying habits are international and at least until recently, there has never been any official or unofficial pressure to "Buy Dutch." The electrical group Philips is engaged in a bitter battle with Japanese competitors in the audio and video fields but in most areas, such as the motor industry, there is no strong local industry to defend.

The Dutch Economics Ministry has for many years had a special department charged with attracting foreign investment. Some five years ago it appointed an Industrial Commissioner to Japan with an office in Tokyo and a small staff.

Japanese businessmen nevertheless feel that the Dutch should do more to promote themselves if any new wave of investment is not to pass them by. The Netherlands is not as active as it could be in attracting foreign investors or in sending investment missions to Japan, says Mr Akira Inoue, Director of the Japan External Trade Organisation (Jetro) in Amsterdam.

The Dutch could do more to attract Japanese investment at a local rather than national level, in Mr Inoue's view. In the case of Britain, which compares favourably in this respect, investment missions are sent from Wales and Scotland, while individual states in the U.S. and Australia are also active. With investment incentives generally less generous than either Britain or Ireland the Dutch should do more to sell the advantages they have, concludes Mr Inoue.

The Netherlands ranks fourth in Europe as a target for Japanese investment — after Britain, West Germany and France. Total Japanese investment up to 1980 amounted to $298m, 0.8 per cent of total Japanese investment abroad. Spending fell sharply to $19m in 1977 from $49m the year before in the wake of the energy crisis. It remained at a low $18m in 1978 but then recovered to $38m in 1979 and $41m last year. A further increase is expected this year, said Mr Shigeki Tonooka, Commercial Secretary at the Japanese Embassy in The Hague.

The Netherlands' central position in Europe is the most important factor in persuading Japanese companies to settle there. They are near to both markets and sources of components or raw materials. Industrial productivity is high and the Dutch speak both English — the language most commonly spoken by Japanese businessmen—and other European languages.

The positive Government attitude towards foreign business and tax incentives, both for companies and individuals, is also appreciated, says Mr Tonooka. The monetary authorities allow the easy transfer of capital and profits while the Dutch trade unions are co-operative.

The free-port facilities offered in Rotterdam's Europoort area and at Schiphol Airport, Amsterdam, have encouraged many companies to make the Netherlands their base for European distribution. Goods which are re-exported are not liable for Dutch tax.

The Dutch do not score well in the areas of wage costs and absenteeism, however. High wage costs make the Netherlands unlikely to attract labour-intensive industries such as electrical assembly or heavy manufacturing. This means it is not well placed for the consumer electronics products, one of the most expansive sectors of Japanese industry. The presence of Philips may also act as a disincentive, Japanese businessmen acknowledge. Components suppliers to Philips might be wary of angering their best customer by selling to Japanese competitors.

The Japanese Chamber of Commerce has 106 members employing a total of 504 Japanese staff, though there are no statistics kept of the total workforce employed. While some of these companies have only a representative office in The Netherlands 62 have made capital investments.

By far the largest group is formed by manufacturing companies — which number 60 — although most of them distribute rather than manufacture or assemble in The Netherlands. The most important sector is precision machinery (12 companies) followed by heavy engineering (11), electrical machinery (10) and the motor and chemical industries (both six). In the services and financial sector there are 15 trading companies, six banks and three brokers.

One venture which has provoked much interest is the Osaka Merchandise Centre in Rotterdam. Sponsored by Japan's second largest city the Centre currently houses 22 small Japanese companies which could not afford to establish their own base in The Netherlands.

Japanese businessmen and officials are reluctant to admit that political factors are behind investment in Europe. "The direct reason is not political," says Mr Tonooka, "the companies are simply looking for profits."

Miss Etsuko Arai, secretary of the Japanese Chamber of Commerce, feels that if there is any misunderstanding between the Japanese and Dutch business communities this is partly the fault of the Japanese themselves. "We are good at business but we are not sociable," she says.

The Chamber has been more active in promoting contacts over the past year or so but could do more. Japanese businessmen last month spent a day meeting their Dutch counterparts and Amsterdam city officials, hearing their views on the problems of trading with Japan in a venture sponsored by a number of large Dutch companies.

Mr Martin Lewis, European co-ordinator of links with Japanese clients at the accounting firm of Peat Marwick Mitchell, is fairly confident that the Dutch will get a reasonable share of any new wave of investment. A problem is that the Dutch Government's policy of not interfering with business cuts two ways. It attracts foreign investors but leaves the Dutch without sanctions if business trends develop unfavourably. "It is less important for the Japanese to please Holland by making investments than to please, say, France or the UK," says Mr Lewis.

No rush from companies, despite the welcome mat

PORTUGAL

DIANA SMITH

IF TWO-WAY trade between Japan and Portugal could be balanced on the basis of the most popular products of each side, the Japanese would have to drink 2,000 bottles of port wine or 7,000 bottles of table wine for each Toyota or Datsun sold in Portugal.

With those two Japanese major industries selling 12,499 commercial vehicles between them here in 1980, that would be a great deal of wine for the land of sake.

The story is familiar: trade is heavily unbalanced, with Japanese exports of $200m to Portugal and Portuguese exports of $50m to Japan in 1980. The Portuguese market is far from saturated with Japanese goods and growth potential is considerable, while the Japanese market for traditional Portuguese products like wines, marble and textiles is somewhat limited.

Therefore the Portuguese thirst for offsets for the trade deficit in the form of imports of Japanese capital is understandable.

To be able to quench that thirst even partially, Portugal in the often-expressed Japanese view, needs to be successful in its negotiations to join the European Community—not only because it could then be a side door to EEC markets for products made with Japanese capital and technology in Portugal, but because its domestic market would be expected to strengthen in the long term.

In the short term, the Japanese presence in Portugal is modest but increasing slowly: direct investment and reinvestment moved from $200,000 in 1978, $800,000 in 1979 and $2.2m in 1980.

The areas are fairly limited: for example vehicles, with Toyota's 27 per cent share in the Portuguese company Salvador Caetano, which receives technical assistance from the Japanese partner in the assembly of CKD's steel products; Mitsui's 8 per cent share in the small steel plate-cutting firm of Cosider, in conjunction with Usinor of France, Thyssen of West Germany and a group of Portuguese metallurgical companies or warehouses, using a Nippon Steel cutting line.

In the textile film, Mitsubishi, which also has large representative office with a capital of nearly $1m in Portugal, has a share in Fibras Sinteticas de Portugal (Fisipe), a concern with Es 1.25bn capital ($20m) part-owned by Quimigal, the nationalised chemicals and fertilisers corporation.

An important adjunct to textiles, zip fasteners, is now represented with a $6.6m Yoshida factory, wholly-owned by the Japanese concern, which has virtually cornered the world's zip-fastener market. Yoshida for the moment is concentrating on the Portuguese market for its sales but in the long run plans to export from here. It is said to be looking for other West European locations for other zip factories.

The Shin-Etsu chemical company, together with BV of the Netherlands, and Mitsui (Netherlands) have shares in Comphanhia Industrial de Resinas Sinteticas (Cires) producing and marketing synthetic resins and that is about the size of today's Japanese investment.

Not surprisingly, the Portuguese long for more, and become highly-optimistic when a largish Japanese fact-finding mission of officials and businessmen reaches Portuguese shores, or a Portuguese mission to Tokyo is amiably received there.

But apart from the constitutional painstaking slowness of Japanese decision-making there are other problems that need solving before Portugal can expect a swifter Japanese capital flow. There is the communications gap, not that of language, which very few Europeans can bridge anyway, but of Japanese knowledge about Portugal.

The impression lingers that Portugal is not only Europe's poorest nation but one which is run hook, line and sinker by the Moscow-oriented Communist Party. No amount of information to the contrary by official Japanese representations appears to compensate for the palpable absence of news of Portugal in the Japanese media since the wild revolutionary days of 1975 when visiting Japanese correspondents kept asking dazed European colleagues to sum up the events with a Portuguese proverb.

That apart, Portugal's lackadaisical transport and communications infrastructures and the dilatory ways of bureaucracy are not ideal fields for efficient Japanese businessmen to try to plough. Thus moderate Japanese investment intentions are often conditioned with a sprinkling of "ifs" if infrastructures consolidate with EEC accession: if the politico-economic situation remains reasonably stable: if the market in specific products grows interestingly enough—not to be compared with larger more expansive Spain, since that is impossible, but at least to justify the money, time and patience it takes to set up an operation in Portugal.

There are specific areas in which Japanese investment interest is strongest: vehicles, one of Japan's major motor manufacturers could loom on the horizon in the not-too-distant future attracted by a dizzying motor boom that confounds Portugal's low salaries, expensive petrol and high car costs; electric appliances (TV and audio); machine tools; fish processing and computer chips.

Other areas into which Japanese interests sometimes move, such as mineral extraction and treatment or capital equipment seen to be of less interest in Portugal's case. Domestic minerals are of questionable quality and modest quantities. French concerns, for the moment, seem to have all the share the local market will bear of licences to Portuguese firms to manufacture equipment for hydroelectric systems, an area now losing out to coal-fired units.

Meanwhile, Japanese banks have gone firmly into lead-managing or managing the syndicated loans the Republic of Portugal takes annually on the Euromarket, and the possibility that one or two major Japanese banks could invest here in the long run is not to be discounted.

The Portuguese welcome mat stays out permanently for Japanese capital but so far it is more discreet tapping at the door than a rush of would-be-guests, however hospitable the host is.

MATSUSHITA'S STRATEGY

Plans for boosting output

A CASE STUDY BY CHARLES SMITH

MATSUSHITA ranks with Sanyo and Toray as one of the trio of Japanese companies whose overseas production is worth more than $1bn per year. That does not necessarily mean that the company is satisfied with what it is doing outside Japan.

When he recently met foreign journalists the Matsushita President, Mr Toshihiko Yamashita, said he wanted to achieve a 50-50 ratio between the value of direct exports to foreign markets from Matsushita's Japanese plants and that of overseas production (at present the ratio is roughly two to one in favour of exports).

To achieve such a balance Matsushita will have to increase its investments in each of the three main regions—South East Asia, the U.S. and Western Europe—in which it currently operates manufacturing facilities, Europe may be the last of three regions to feel the impact of the drive to produce more overseas, but that does not mean it is going to be neglected.

In fact the company is considering three new European investment ventures, two involving expansion of existing facilities. Whether or not all three projects go forward Matsushita's European presence seems certain to be substantially greater by 1985 than it is today.

Matsushita's three existing European manufacturing ventures (in approximate order of importance) are its wholly-owned colour TV manufacturing plant outside Cardiff, its Spanish audio equipment and vacuum cleaner plant (jointly owned with local interests but controlled by Matsushita) and its 50-50 joint ventures with Philips for the manufacture of batteries at Tessenderlo in Belgium.

Of the three, the Belgian battery factory has recently completed an expansion programme which could be its last for a number of years.

That leaves the Spanish plant, which Matsushita would like to expand, if it can get planning approval from the Government, and the Cardiff TV factory, which the British Government would be only to happy to see expanded, but which faces certain problems.

Matsushita says that raising the Welsh factory's export ratio is not as easy as it looks. A major obstacle to sales in other EEC member countries over the past three or four years has been the fluctuation of sterling in relation to the EMS currencies and particularly the very sharp sterling appreciation that occurred between the autumn of 1977 and the spring of 1980.

Exchange rate fluctuations may be less of a headache today but Matsushita still feels they constitute a hazard to any programme of expansion that relies on EEC exports. To cope with the problem the company aims to reduce production costs by obtaining cheaper components.

In Japan Matsushita manufactures a substantial proportion of its own components for colour TV sets and buys the remainder from sub-contractors with whom the company has a long-standing relationship. The 70 per cent of the Cardiff factory's components which are obtained inside the EEC come from companies with which Matsushita has dealt for only a few years and which, accordingly, are less likely to respond swiftly to its demands for more competitive prices or improved quality.

The third investment decision confronting Matsushita in the EEC involves video-tape recorders. The company has been selling its VTR sets in Europe for the last two years under the label of the West German electronics manufacturer Blaupunkt, and now Blaupunkt is proposing the establishment of a joint venture which might start local manufacture of VTRs from 1983 onwards.

Matsushita will probably accept the West German invitation rather than yield to a British request that it should add VTRs to the products it makes at Cardiff. One reason for not making VTRs in Britain is that a Matsushita affiliate, Japan Victor Company (JVC) is already collaborating with Thorn EMI in the same general area.

With two expansion projects at existing plants and a third possible new venture under consideration Matsushita is likely to have its hands full in Western Europe for some time. Completion of all three projects will still leave the company's European presence well short of its position in the U.S. where Matsushita holds 6 per cent of the colour TV market. Europe, however, will continue to be one of the three main targets for Matsushita's overseas investment.

JAPANESE INVESTMENT IN EUROPE VIII

Wide range of manufacturing

Some Japanese companies engaged in manufacturing or assembly work in Europe

BRITAIN

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Aiwa	Aiwa	100	Audio equipment	60
Daiwa Sports	Daiwa Seiko	50	Sports goods	180
GEC-Hitachi	Hitachi	50	Television sets	2,160
Horiba	Horiba	100	Analysis systems	15
Hoya	Hoya Lens	100	Ophthalmic lenses	60
Hyfil	Toray	49	Carbon fibre materials	40
Matsushita	Matsushita	100	Television sets	480
Merlin Aerials	Nippon Antenna	49	Aerials	18
Mitsubishi	Mitsubishi Electric	100	Television sets	200
Nittan	Nittan	70	Fire alarm systems	66
No Fuse Circuit Breaker	Terasaki Denki	50	Circuit breakers	150
NSK Bearings	NSK	100	Bearings	254
Paddox Fine Worsted	Daido	100	Worsteds	75
Toshiba	Toshiba	100	Television sets	300
Rikadenki Mitsui	Rikadenki Kogyo Mitsui	50 50	Scientific instruments	16
Ringwood Chemicals	Hodagaya Chemicals Sumitomo	35 15	Herbicides	600
Sansetsu	Sansetsu	100	Packaging	8
Sekisui	Sekisui	100	Plastics	87
Sony	Sony	100	Television sets	920
Takiron	Takiron	95	Plastics	47
YKK	Yoshida Kogyo KK (YKK)	100	Fasteners	270
Yuken	Yuken Kogyo	100	Hydraulic equipment	8
Nippon Electric†	Nippon Electric	100	Integrated circuits	—
Yuasa Battery†	Yuasa	100	Batteries	—
Hoya Lens UK	Hoya	100	Lens	60

IRELAND

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Asahi	Asahi	85	Fibres	350
NEC Ireland	Nippon Electric	100	Electronic components	170
Arklow Pottery	Noritake	50	Pottery	460
Noritake Ireland	Noritake	100	Chinaware	520
Mitsui Denman	Mitsui Mining and Smelting Mitsui	85 10	Chemicals	—

WEST GERMANY

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Asics Mobus	Asics	100	Training shoes	69
NTN Kugellagerfabrik	Toyo	100	Bearings	96
Dorina Nahmaschinen	Janome Sewing Machine	50	Sewing machines	343
Sony Wega	Sony	100	Television sets	500
Nikkiso	Nikkiso	100	Pumps	10
Nikko Presswerk	Nikko	50	Bicycle parts	—
Nissin Birkel	Nissin Food	50	Noodles	50
Rumico Fuerfeste Baustoffe	Mitsui Nippon Kanka	20 40	Heatproof materials	—
Horiba	Horiba	100	Precision instruments	33
Heidenreich + Harbeck	Makino Milling Machine	25.1	Machine tools	200
Milei	Moringa	20	Dairy products	52
Yoshida	YKK	100	Fasteners	320
Hoya Lens Deutschland	Hoya	100	Lens	140
Heinz Optik	Hoya majority stake		Optics	110

SWITZERLAND

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Horiba	Horiba	100	Precision instruments	10
Universal	Muriki	33	Watches	—
Yoshida	YKK	100	Fasteners	10

FRANCE

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Eurolysine	Ajinomoto	50	Chemicals	209
Three Bond Europe	Three Bond	99	Adhesives	10
Dicas Chimie	Dainippon	98.4	Polyurethane	37
Nordic	Dainippon	49	Covering materials	—
Yoshida	YKK	100	Fasteners	280
Sony	Sony	100	Audio cassette tapes	

SCANDINAVIA

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
MCI Megon (Norway)	Mitsubishi	50	Chemicals	18
Hoya Optikslip (Sweden)	Hoya	50	Lens	130

ITALY

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Shisheido Cosmetici	Shisheido	100	Cosmetics	80
Montedison Eslon	Sekisui	35	Plastics	260
Alcantara	Toray	49	Man-made leather	370
Fumakilla	Fumakilla	21.4	Insecticides	50
Yoshida Italia	YKK	100	Fasteners	380
Yoshida Mediterraneo	YKK	100	Fasteners	110

AUSTRIA

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Yoshida	YKK	100	Fasteners	45

NETHERLANDS

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Koyo Ceteco	Koyo Seiko	70	Bearings	73
Sekisui Alveo	Sekisui	40	Plastics	35
Sekisui Jushi	Sekisui	80	Plastics	43
Delamine	Toyo Soda	35	Plastics	107
Hitachi Construction Machinery	Hitachi Kenki	70	Construction machinery	39
Yoshida	YKK	100	Fasteners	56
Hoya Selecto Optical	Hoya	50	Lens	50

BELGIUM

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Kaneka	Kanega Fuchi Mitsui	84 10	Chemicals	120
Daikin	Daikin	100	Air conditioning	71
NGK Baudour	NGK	100	Insulators	130
Pioneer	Pioneer	100	Audio equipment	59
Honda	Honda	100	Motor bicycles	480
Philips Matsushita	Matsushita	50	Batteries	300
Hishi	Mitsubishi	100	Plastics	37
Yoshida	YKK	100	Fasteners	30
Mayekawa	Mayekawa	100	Industrial freezers	8

SPAIN

Company	Japanese partner/owner	Percentage shareholding	Product	Employees
Felguera-IHI	Ishikawajima-Halima	40	Engineering	217
Laboratorios Miguel	Otsuka Chemical	100	Pharmaceuticals	
Sino-Kao	Kao Soap	50	Fatty acids	112
Sanyo-Eurotron	Sanyo	37	Audio equipment	120
Brilen	Teijin	49	Fibres	352
Dennis Nakakita	Nakakita	20	Butterfly valves	
Motor Iberica	Nissan	36	Vehicles	9,300
Fabricacion de Acero Inoxidable	Nissho + Iwai Nisshin Steel	15.36 9.8	Stainless steel	1,200
Nachi Industrial	Nachi Fujikoshi	35	Bearings	149
Communicacionese Informatica	Fujitsu	28	Communications	46
National Panasonic	Matsushita	80	Electric goods	450
Zonum	Mitsui	23	Tinned fruits	580
Aleaciones de Metal	Mitsubishi Metal Mitsubishi Corporation	69 15	Engineering	66
La Jaya	Mitsubishi	50	Tinned oranges	650
Yoshida	YKK	100	Fasteners	380
Hoya Castillo Espana	Hoya	50	Lens	50

CONTINUED ON NEXT PAGE

JAPANESE INVESTMENT IN EUROPE IX

Car links spark fears

ITALY
RUPERT CORNWELL

AT PRATOLA SERRA, on the outskirts of Avellino in Southern Italy, work has begun on the ARNA Plant which by 1983 should be producing some 60,000 vehicles a year. ARNA stands for Alfa Romeo E. Nissan Autoveicoli SpA, and represents not only the most important, but also by far the most controversial direct Japanese investment ever carried out in Italy.

The project was agreed last autumn, but not before it had briefly threatened the fragile coalition government then in office under Sig Francesco Cossiga, the Christian Democrat Prime Minister, and divided the Italian motor industry from top to bottom.

On the one side were arrayed Alfa, its parent the state conglomerate IRI and the Socialist Minister for State Shareholdings, Sig Gianni de Michel, united in their belief that only an alliance with Japan could offer medium-term salvation for the long-troubled Alfa.

On the other was an almost equally formidable line-up, headed by Fiat, the country's largest private industrial group. This saw the venture as a kind of Oriental Trojan horse, a step towards opening up the hitherto protected Italian car market.

After lengthy argument the deal was approved, and the project is in full swing. Thus far the two partners have put up L15bn ($12m) apiece for a venture whose output of cars, 80 per cent Italian by value yet based on the Nissan Cherry model, will be divided equally between Italian and export markets. The initial fuss in retrospect was probably exaggerated. The total of 30,000 cars to be sold on the home market is the equivalent of only 1.5 per cent of estimated 1981 sales.

Nonetheless the hubbub over the deal reflects the doubts and fears aroused by the increasingly aggressive stance of Japanese industry not only towards Europe in general but also Italy. The unease shone through a visit to Italy in October by a top level delegation of Keidanren, the Japanese counterpart of Italy's Confindustria or employers association.

The two sides wound up two days of talks by agreeing to set up an informal commission to explore possible new avenues of co-operation. The team, led by Mr Yoshihiro Inayama of Nippon Steel, met at length with Sig Emilio Colombo, the Italian Foreign Minister, who declared his Government's interest in extending industrial collaboration between the two nations. But in almost the same breath Sig Colombo said Japan should open up its own markets more liberally to Italian goods.

Last year for example, Japan's exports to Italy leapt by 40 per cent to reach $955m, giving the former a trade surplus of $17m in 1980, in contrast to Japan's deficits of the past. The figure is very small if compared with the surplus Tokyo runs with some other EEC countries. But the fact that it is so low reflects above all the tight barriers Italy operates on 38 types of Japanese product.

Among them, to the eternal relief of Fiat, is one on cars, which prevents more than 2,000 Japanese automobiles per year being shipped to the country—as well as a similar limitation on motor-cycle imports, of which Italy remains the only European country to have withstood in some measure the Japanese takeover elsewhere. "One can only imagine what the deficit would be like if these curbs did not exist," said one leading Italian businessman recently.

These restrictions go a long way towards explaining why Japan had concentrated so little on Italy in its recent policy of making direct productive investments in Western Europe, as a way of getting round resentment at what is seen as its invasion of major markets.

Thus far, if Alfa-Nissan is excepted, such investments have been very small—and the fact that in some respects Italy and Japan are in the same sort of markets means that antagonism here would only be greater were the Japanese to mount an all-out assault.

Nonetheless, the links have been multiplying, although there has been little fanfare. Most often they have tended to take the form of technological or manufacturing ties: In January Olivetti announced a major deal with Hitachi that brought the office equipment group back into the main frame computer business after a 16 year absence.

In the wake of Alfa-Nissan, Alejandro de Tomaso, the colourful Argentina-born motor manufacturer made an agreement with Daihatsu to import up to 150,000 engines annually for a new range of cars from his Innocenti company. At the most exotic end of the market, Sig Giorgetto Giugiaro, of Italdesign saw one of his 1,079 prototypes—the Isuzu X—become the first ever Italian design to be industrialised by a Japanese manufacturer.

Japanese steelmen are working at the Taranto plant of Italsider in a project to improve its productivity.

One of the most important long-standing and successful ties involve Montedison, Italy's premier chemical concern. In 1974 the group entered into a polyethylene sheet marketing venture with Japan's Sekisui, which could develop into a jointly owned manufacturing venture in Italy. Then in 1975 Sekisui took a 20 per cent stake in Chimica Lucana, a subsidiary of Montedison, which was subsequently renamed Montedison Esion. By 1980 sales of its vinyl pipes had reached L21.5bn and Sekisui had lifted its own stake to 35 per cent.

But there is reason to believe that the main Japanese interest lies in the telecommunications and electronics/electricals fields. Sig Pasquale Pistorio, head of SGS-Ates, the semi-conductor producer, also controlled by IRI, recently confirmed that he is considering a deal with Toshiba, that would give his company access to superior technology—and which might even see an equity participation by the Japanese company.

More problematic is the household appliance sector, which the Italian authorities are currently attempting to reorganise. A bid by Japan's Sharp to take a minority stake in a new consortium involving the troubled Emerson and Voxson concerns seems to have foundered but such is the uncertainty over future developments that nothing can be ruled out.

Meanwhile the two sides are likely to press on with plans for joint ventures in third countries, as the Rome Government wrestles with the problems of a host of key industrial sectors at home. If these can be settled, then the inherent attractions of investment in Italy are likely to return to the forefront. Despite its reputation for political instability and general disorganisation, the country is one of the fastest growing Western markets, and one for whose inhabitants foreign products seem to have an almost irresistible appeal.

Political row proves extra hurdle

BELGIUM
GILES MERRITT

IT MUST have come as a shock to the Japanese industrialists concerned, although it would scarcely surprise most people familiar with Belgium. To announce a package of badly needed manufacturing investments was to become embroiled in the country's seething language war between the Walloon and Flemish communities.

Rather like a referee who is turned on in the ring by both boxers, Japan not long ago found itself at the centre of a political squabble between the Dutch-speaking Flemish of northern Belgium and the French-speaking Walloons to the south. At issue was the list of investment projects worth a possible BFr 2bn that a number of Japanese companies have decided to mount in the northern Flanders region of Belgium.

In July a returning trade mission of Belgian businessmen, led by M Paul Akermans, Secretary of State for the Flemish regional economy, was able to announce triumphantly that in Tokyo it had secured undertakings of new Japanese investments in a range of industries that included motor cars, precision machinery and electronic robots, micro-processors and machine tools.

Honda would be expanding its activities in the Flemish industrial centre of Alst, and Toyota would be setting up a research centre nearby.

The row between Belgians was not, of course, directed against Japan. It revolved around the initaitive taken by the Flemish business community to launch its own inward mission to Japan rather than mount a more generally Belgian one that would have represented the investment opportunities of both Flanders and Wallonia. Angry Press comment in French language newspapers suggested the move was designed to reinforce Flanders' grip on over 90 per cent of Japanese investment.

If manufacturing projects on the scale suggested by that controversial Flemish trade mission materialise, then that alleged imbalance is certain to tilt overwhelmingly in Flanders' favour. Yet Wallonia has in fact benefited more from Japan's increasing interest in Belgium as an economy worth investing in than is generally realised.

This year, Japan's Asahi Glass, a subsidiary of the giant Asahi Chemicals group, stepped in to rescue almost 5,000 threatened jobs in economically stricken Wallonia. Asahi bought, for an undisclosed sum, an 80 per cent stake in Belgium's huge but troubled float glass producer, Glaverbel. By buying control of Glaverbel from France's BSN-Gervais Danone, Asahi has not only established a major beach head in the European glass industry but has also stilled doubts that the plant might be forced to close. A significant sidelight on the Glaverbel takeover, of interest to European companies seeking Japanese partners in new projects, was the fact that Glaverbel had a comparatively long-standing relationship with Asahi — almost 10 years ago the Belgian group had assisted Asahi Glass with technical advice when the Japanese concern was itself installing the float-glass process.

The Glaverbel purchase apart, there has, it is true, been comparatively little Japanese investment activity in the traditional industrial areas of Wallonia. Rather than set up alongside the ailing steel and base engineering concerns of Belgium, Japanese companies have preferred the more positive investment climate of Flanders, and especially the new industrial satellite towns surrounding the port of Antwerp. In addition to the scores of service-providing subsidiaries that Japan has established during the 1970s as part of its own drive to export manufactured goods, there are about a dozen prime Japanese projects where Japan's industrialists have realised it was vital to start production inside the Common Market.

The first of those service investments dates as far back as 1962, and interestingly enough was made by Honda as part of its earliest European sales drives. But strict manufacturing, of the sort that provided Belgians with employment and yielded a direct advantage to EEC economies, did not come until the early 1970s. It was then that Kaneka Chemicals established a $200m-plus MBS synthetic resins plant in the Antwerp area to produce PVC additives used in the manufacture of products such as plastic bottles. In the same year Matsushita Electric embarked on its batteries-producing joint venture with Philips, and thereafter a slow but steady stream of Japanese concerns moved into the Flanders area.

Daikin established an air-conditioning products company, and Nitto began manufacturing tapes. Some of these investments, in the difficult economic conditions following the first oil shock, have remained comparatively small. Others, like Pioneer Electronic's hi-fi tuners and car radio plant, have begun to expand fast in line with the parent company's marketing successes throughout the EEC. Last year Pioneer's work force numbered less than 100, but during 1981 it has been swelled to around 450 people.

The value of capital investments made by Japanese business in Belgium is hard to gauge. The official figure takes no account of plant modernisations and expansion following the initial investment, and is also understood to exclude market deals such as that conducted by Asahi to acquire control of Glaverbel. What is clear enough is that Japanese interest in the high productivity record of Belgian Flanders and its sound labour relations record is undiminished by the country's political difficulties. Sumitomo Trading has just opened a new facility in Antwerp to handle Mazda cars. Japan's accolade must go, perhaps, next door to Belgium to tiny Luxembourg, where Fujitsu will next year open a $2m plant producing numerically controlled machine tools.

CASE STUDY: A NEW MOVE FOR SANYO

A test for the UK television industry

SANYO ELECTRIC is preparing to become the sixth Japanese company to manufacture television sets in the UK. Significantly, this will be the first time Sanyo—which operates more international projects than any other Japanese manufacturer—has invested in a production plant in northern Europe.

At present, the company has two smallish joint ventures in Spain. One attempt at a joint venture to manufacture home electronic products in Italy has collapsed.

The company is planning to produce colour televisions at a plant built by Philips, the Dutch electrical group, which Sanyo negotiated to purchase after Philips decided to close it down. In the past, Sanyo has looked at two other plants in the UK, but this is the first time it has made a positive decision.

Sanyo's philosophy on sales and investment is reflected in its choice of name which translates as "three oceans." So far, it has found the waters outside of Europe more attractive, however.

The company has more plants in Africa (four) than in all of Europe, at the moment, though about 18 to 19 per cent of its overseas sales are in Europe.

One illustration of the company's unbalanced position in Europe is that, on a global basis, 35-40 per cent of its overseas sales are covered by local production. The goal is a 50-50 ratio between local production and exports.

Sanyo's first cautious step on to the European continent came in 1969 (after it had built plants in Ghana and Nigeria) when it became the minority partner in a Spanish joint venture to produce home electronics equipment.

The company, Aznarez Industrial Navarra, now produces 50,000 television sets a year, some of which are exported. In 1975 a second Spanish joint venture, Eurotron, was formed to make tape recorders and car stereos.

Sanyo initially went to Spain for two reasons. First, it anticipated that Spain would one day join the Common Market. Second, Sanyo felt comfortable participating in the still rather low level of industrial development there.

The first manufacturing venture by Sanyo within the EEC, failed: in 1977, the company became involved with an Italian partner in a joint venture named Emmerson, in which the Sanyo group held a 30 per cent share. Troubles, however, arose on the side of the Italian partners, who requested Sanyo to take a larger share of the capital. After barely a year, Sanyo made a decision to wind down its participation, and eventually withdraw entirely.

Sanyo's plans in the UK are still not clear, at the moment; it appears, however, that the company plans to market most of the sets it makes within the UK itself, where it has already established two sales companies. How Sanyo will fare in the tough competition within the UK television industry remains an open question.

RICHARD HANSON

PORTUGAL

Textil Alberto Pombo	Kanematsu Gosho	25	Fibres	197
Companhia Industrial de resinas	Shin-Etsu Chemical Mitsui	25 25	Resins	230
Salvador Caetano	Toyota Motor Toyota Motor Sales	13.5 13.5	Vehicles	1,550
Textile Lopes da Costa	Mitsui Toyobo Nippon Exlan	6.8 3.4 3.4	Textile finishing	350
Eniphon	Nihon Den-netsu	50	Industrial heaters	
Maruman	Maruman	70	Digital clocks	
Fibras Sinteticas	Mitsubishi Mitsubishi Rayon	11.5 8.3	Fibres	436

† Starting up in 1982. Source: Japanese Government statistics and various development authorities.

JAPANESE INVESTMENT IN EUROPE X

There are now 430 Japanese companies in West Germany

Investment surge welcomed

OVER THE last decade—1961 to 1980 inclusive — Japanese investment in West Germany has increased very sharply. But much less investment has flowed the other way.

During this period, Japanese cumulative direct investment in the Federal Republic totalled just under DM 1.5bn—while only about DM 416m was invested by West German companies in Japan. This means that Japanese investment was shooting up an average annual rate of 41 per cent, and has now reached a level three and a half times higher than German funds placed directly in Japan.

"We welcome this growth," said Herr Otto Wolff von Amerongen, president of the Federation of German Chambers of Commerce, at the recent last round of German-Japanese economic talks in Dusseldorf, the capital of West Germany's most populous state of Northrhine-Westphalia.

But he hastened to qualify this view by adding that "Japanese entrepreneurs still concentrate too strongly on the erection of distribution and other service centres to support their sales activities."

There ought to be a pronounced shift towards overseas investment in production capacity, he explained. This, in his view, would help remove some of the sharper criticisms of an alleged Japanese export threat.

Indeed, according to a survey published by the Tokyo Finance Ministry, nearly 90 per cent of a total 430 wholly-owned Japanese companies in West Germany are conducting non-manufacturing activities such as commerce and baking.

WEST GERMANY

ELGIN SCHROEDER

Included in the total are not only fully-fledged subsidiaries, but also representative and contact offices. Japanese manufacturing efforts in the federal republic, in contrast, tend to be, chiefly, joint ventures with local industry.

Bonn Economics Ministry statistics also show that—at DM 902m—the bulk of overall Japanese investment in the Federal Republic has been directed to banking. Of the rest of the total DM 1.5bn almost all goes to five main sectors—mechanical engineering DM 140m, electronics DM 122m, shareholdings in German companies DM 56m, precision mechanics and optical instruments DM 46m, motor vehicles DM 34m—and finally, manufacturing of watches and jewellery and processing of precious stones DM 14m.

Because the main thrust of Japan's investments in West Germany has been aimed at expanding sales in the German and other European markets, most Japanese firms are based in and around such key transport centres as Dusseldorf, Hamburg and Frankfurt.

Dusseldorf, in particular, has proved to hold great attractions for the Japanese investor. More than DM 600m—or slightly less than half the total Japanese capital in the Federal Republic—has been invested here.

Of the 13,500 Japanese living in West Germany, no less than 5,000 settled in the Dusseldorf area.

There are roughly 250 Japanese companies—including 190 commercial and industrial enterprises, eight banks and over 40 service establishments. Their Europe-wide turnover is thought to be around DM 5bn, a year.

This makes Dusseldorf Japan's second-most important commercial centre abroad, after New York. The clearest sign in the city of the Japanese presence is the "German-Japanese centre" which is right in the heart of the metropolis. At DM 220m it is the single biggest Japanese investment in Germany.

Reserved exclusively to Japanese occupiers, it underlines the diversity of the Japanese service sector's activities in Dusseldorf.

Apart from the Nikko Hotel, it houses a branch of Mitsukosho, the big department store chain, a restaurant and many offices. Nearby, there are Japanese insurance and moving companies, shipping offices, grocery stores and book shops.

Why do the Japanese prefer Dusseldorf to Hamburg, Germany's largest port, and to Frankfurt, the international banking centre — each of which is the base for only about 80 Japanese companies?

It all began when Japan's "big three" traders—Mitsubishi, Mitsui and Marubeni—decided to open branches in Dusseldorf in the mid-1950s. Itoh, Sumitomo and other trading companies followed suit in 1958. Until then, Japanese investors had opted for Hamburg since the Second World War.

The traders' decision was prompted by the desire for better contacts with the German engineering and equipment industry in the Ruhr Valley and, thus, to facilitate purchase of machinery and plant.

This initiative by the traders, naturally, caused the house banks to move to Dusseldorf too so that they could more easily handle their partners' credit financing needs. Only those banks which act independently of a particular big business concern—such as the Bank of Tokyo and the industrial banks of Japan—set up their main German offices in Frankfurt.

Dusseldorf's location on the Rhine with short distances to most domestic and European markets, its good transport connections, and, not least of all, the city's friendly reception of foreign investors soon lured more Japanese companies there.

Consequently, a Japanese school, a Japanese club and other Japanese communal facilities were founded.

The existence of these institutions, in turn, influenced further Japanese firms, which were looking around for a possible base in Germany to choose Dusseldorf.

In the meantime, the Japanese have begun to settle in neighbouring communities too. One example is NTN Kugellagerfabrik, as a producer of ball-point bearings one of the few wholly-owned Japanese manufacturing companies, which was established by NTN Toyo Bearing in Mettmann, a suburb of Dusseldorf.

"We welcome this growth," says Herr Otto Wolff von Amerongen, president of the Federation of German Chambers of Commerce

The city fathers of Dusseldorf are only too happy to acknowledge the advantages of the Japanese presence. Not only are more than 4,000 Germans in the area on a Japanese payroll, but the buying power of the Japanese filtering through to the local retail trade, to restaurants and hotels is fully appreciated.

In 1980, Dusseldorf hotels registered the imposing number of nearly 64,000 visitors from Japan. Besides, the Mayor says, the Japanese firms' trade tax payments are very welcome in these times of tight budgeting.

Since U.S. investment is no longer flowing abundantly to Frankfurt, the city has also shown greater interest in accommodating the Japanese. Their investments have, up to now, been chiefly in the banking, the chemical and the engineering sectors.

Meanwhile, a consortium of Japanese banks and electronics companies is thinking of setting up a DM 200m trade centre comparable to the Japanese centre in Dusseldorf. But the plan has so far not been realised, although Frankfurt would welcome the roughly 1,000 additional jobs the project would create.

Siting problems have proved insurmountable: the Japanese are insisting on an inner-city location, but there is simply no space available. Frankfurt authorities are now hoping to get the project off the ground by promising to support the foundation of a Japanese school a subject close to the heart of the Japanese and, as it appears, another prerequisite for the scheme.

A CASE STUDY: MAKINO MILLING

Hamburg success

MAKINO MILLING is a fast growing, high technology, Japanese machine tool manufacturer, specialising in machining centres and milling machines, which decided long ago that there were limits to the number of machine tools it could sell directly to Europe. The company maintains a self-imposed ceiling of 30 per cent on the ratio of export sales to total turnover and meets any additional overseas demand by manufacturing—or helping to manufacture—within the markets concerned.

Makino's American presence (acquired in 1980) consists of a 51 per cent stake in Leblond Machine Tool Company of Cincinatti (now renamed Leblond Makino Company). In Europe it has ben a 25.1 per cent shareholder since 1978 in the Hamburg machine tool maker Heidenreich und Harbeck.

Makino's involvement with Heidenreich und Harbeck grew naturally out of a relationship with the Hamburg concern's parent company, Gildemeister, which had begun marketing Makino machines in Western Europe a couple of years earlier. The investment, and an accompanying transfer of Makino knowhow, were made at Gildemeister's request but Makino responded willingly because—as Mr Kei Kimura of the company's international department puts it—"we have to contribute something to the situation in Europe."

Competition

At the time Makino was invited to become involved with Heidenreich und Harbeck, the German company was struggling to sell in what Mr Kimura describes as the over-populated lathe market. Most of the company's output was in the conventional (not numerically controlled) sector of the market where competition from new industrialised countries such as Korea and Taiwan was becoming fierce. Heidenreich thus faced an urgent need for a rapid widening of its range of products. This was precisely what Makino supplied with its sophisticated machine centres and milling machines.

A measure of the success of the Makino-Heidenreich tie-up —or perhaps of Heidenreich's weakness beforehand—is that 50 per cent of the Hamburg company's sales now consist of Makino products, either manufactured locally or imported from Japan. The ratio of Makino tools made under licence by Heidenreich to those imported from Japan and sold through Heidenreich's distribution network, however, is still as low as 10 to 20 per cent.

Kimura says the aim is to raise the proportion of locally made tools to 30 per cent by next year, but admits there may be problems. Production costs in West Germany are substantially higher than in Japan, in part because of a lack of competitive component suppliers. Finding a competitive European source of numerical control equipment is also proving difficult, although Kimura says at least three alternative systems are available, from Siemens, Bosch Bendix and American (E).

Mr Kimura says that Makino has so far managed to maintain the prices of machines manufactured in Hamburg at the level of machines imported from Japan, largely because of the 8 to 10 per cent tariff levied on machines imported from Japan. Getting production costs at Hamburg down to Japanese levels could well prove difficult but Mr Kimura is not totally pessimistic.

The West German machine tool industry is Europe's best in his view and its companies are "trying hard to become competitive without Government intervention." West Germany is the source of most of the technical missions which come to Makino's plant at Atsugi outside Tokyo to find out how the Japanese do it. Delegations from Britain are relatively few, says Mr Kimura, while those from at least one other Western European country are "inclined to be critical" rather than inquisitive.

Makino's relationship with Heidenreich und Harbeck does not tell quite the whole story of its European involvement. The company still maintains its own European sales company, which makes direct sales to the UK and Norway, but relys on Heidenreich und Harbeck sales channels for reaching other markets. Larger and more sophisticated machines will continue to come from Japan whatever happens. But Makino hopes that in at least three basic models of milling machines the West German manufacturing operations can eventually become fully competitive.

A spring-board into European markets

THE JAPANESE have the reputation of being the world's biggest importers of Spanish guitars. However, this fascination for such a familiar symbol of Spanish culture is not reflected in the overall level of trade and investment.

Distance, protectionism and unfamiliarity have all combined to restrict and inhibit commercial relationships.

Only in the past two years have things begun to change. The prospective entry of Spain into the EEC has considerably raised the level of Japanese interest in Spain. The country is now being studied by a number of companies as a possible spring-board for the penetration of European markets. This is especially the case with the automotive industry.

The shift in Japanese interest was underlined by Japan Air Lines last year, with the inauguration of a direct air link between the two countries. Since then, 87,000 Japanese have come direct to Spain. Although a sizeable element were tourists, there is a growing number of businessmen.

In contrast, almost ten times fewer Spaniards flew directly to Japan.

A more significant pointer to the altered climate was the presence in Japan, at the end of January, of a high-powered team from the Spanish state holding company, INI. The latter has selected Japan, along with France and the U.S., as one of three countries with whom it would like to promote investment. INI is willing to do this, either through offering joint ventures, or minority or majority holdings.

The sort of areas that interest INI are capital intense with a high technology content like medical equipment manufacture.

In an effort to attract the Japanese, INI stressed its flexibility. It wants to acquire product technology and marketing expertise, and is not necessarily concerned to be the major partner. The carrot to the Japanese is a mix of Spain's good and experienced workforce, the local market which must logically expand if Spain is to become closer to the European norm while, at the same time, EEC entry automatically provides new market horizons. And there is the Government's readiness to provide generous investment incentives.

INI did not expect any immediate feedback and regarded the trip more as a marketing exercise to sow the idea of investment in Spain. Unrelated to this INI move, but also a significant pointer, was a private conference on investment, held by the Hispano-Japanese business committee in the Canaries.

INI has, until now, held the greatest contact with the Japanese. When Fiat decided to pull out of the Spanish car producer, Seat, two years ago, INI turned immediately to Japan for a new partner.

Equally, INI turned to Japan in an effort to involve the Japanese in its ailing heavy truck producer, Enasa.

In the case of Seat, INI has held talks with both Nissan and Toyota. Two deals are being considered. The first entails a relatively minor commitment by Toyota. The latter would simply provide the technology, and probably the CKD kits, for Seat to assemble a limited number of Toyota cars. This would be a small-scale operation designed to absorb existing Seat surplus capacity.

Arrangement

The bigger deal envisages Toyota effectively taking over Seat so that when the present range of Fiat-based technology models expire (essentially the Panda and Ritmo), the next generation would be wholly Toyota.

Ideally, INI needs to have reached some sort of arrangement before the end of the year —otherwise it risks having to begin investment on its own in a new set of models for which it has no indigenous technology.

Toyota is naturally reluctant. Seat is currently losing over $170m a year and has been badly demoralised by the failure of Fiat to take it over. It also has an excessively large payroll of 32,000. But efforts are being made to reduce the labour force by almost 7,000 within the next two years.

More importantly it has the attraction of the best distribution network in Spain and accounts for around 30 per cent of the market.

For any international auto producer, the acquisition of control of Seat would have a major impact on the European industry—that company would immediately have a capacity to produce 420,000 units.

INI also reached advanced negotiations over the future of Enasa. The idea was to create a new industrial vehicle company round Enasa and Motor Iberica, the privately-owned truck and agricultural machinery company in which Massey Ferguson has a 36 per cent share.

The scheme collapsed in January last year, partly because INI was uncertain about Nissan's heavy vehicle technology and partly because Motor Iberica wanted to have too large a share of the control.

The collapse of this scheme led immediately to the sale by MF to Nissan of its stake in Motor Iberica for $40m. Previously, Motor Iberica had enjoyed manufacturing arrangement with Alfa Romeo, and Nissan's tie-up with Alfa now seems bound to bring the Spanish and Italian companies more close.

Nissan so far has kept a low profile but it is expected to take an eventual majority stake. The policy has been to gear up Motor Iberica to produce two Japanese models—15,000 vanettes and 10,000 all-purpose patrols.

SPAIN

ROBERT GRAHAM

Logically, this is only a foretaste of something bigger, and Nissan has hinted it wants to produce a saloon in Spain.

This month the Government authorised, after some delay—and protest from local manufacturers—a joint motorcycle venture between Yamaha and two Spanish producers, backed by Spain's largest bank, Banesto. This was the first time that the Government has permitted the Japanese to penetrate this sector, in which they are increasingly dominant, worldwide.

The joint company, formed with Spanish partners Mototrans, which manufactures under the Ducati name, and Sanglas, is expected to have a joint Pta 1bn ($1m) capital. It will produce three models of 125 cc, 250 cc and 400 cc at an initial rate of 20,000 a year, rising to 50,000 by 1985.

Although the Government had reservations about this Japanese presence, the partnership was the only viable means of saving two local companies. Such an entrée is arguably the safest and least controversial, anyway.

Honda, meanwhile, is biding its time content, having just invested in a distribution network.

Japanese investment in Spain was estimated to total around $150m at the beginning of the year. Apart from Motor Iberica the bulk of this is accounted for by four other ventures — Secoinsa (Fujitsu working with INI in the production of computers and data processing equipment); Acerinox (the production of cold-rolled steels in a private partnership with industrial interests of Banesto and Nisho Iwai, at 15.3 per cent, and Nisshin Steel 9.6 per cent); National Panasonic (electrical goods, 88 per cent controlled by Matsushita Electric); and Sino-Kao (a private venture 50 per cent owned by Kao Soap).

The other investments are mainly concentrated in the electrical, chemical and petrochemical sectors.

In one instance this year, there has been disinvestment: Teijin sold off its 49 per cent interest in the Barcelona-based synthetic fibre company, Brilen. This investment was originally slated at Pta 1bn.

The constraints on a major Japanese investment drive into Spain are substantial: Although there is now a residual presence backed-up by representative offices of all the leading Japanese financial institutions, language and commercial practice are barriers.

More importantly, the Japanese find it hard to assess the real impact of Spanish accession to the EEC and the capacity of the Spaniards to adapt.

For instance, the Japanese have been trying to persuade the Spanish Government to reduce the number of prohibited import items from the present level of 143. This compares with the 15 items prohibited by the EEC.

Spain's capacity to come to terms with the exigencies of the EEC worries Japanese investors far more than any talk of Spain's political instability.

Finally, the Japanese appear, for the moment at least, to have greater faith in the muscle of governments such as Italy and the UK to defend Japanese investments in those countries within the EEC.

All this suggests that the Japanese will continue a steady but cautious upgrading of their presence in Spain.

Three Cambridge economists argue that the British Government's financial policy has been trying to achieve the wrong targets using the wrong weapons. They suggest an alternative approach to financial management involving the replacement of monetary targets by a target for money income and a new way of managing the exchange rate

A new financial strategy

By Professor James Meade, David Vines and Martin Weale

THE PRIME MINISTER, in an important speech to Parliament recently stressed the need for financial discipline to restrain the inflationary pressures in the economy. She also emphasised the related need to control the public sector borrowing requirement (PSBR).

With this much we agree. But we believe that the method which the Government has until recently used to pursue these desirable ends, namely the pursuit of monetary targets, is very unsuitable.

It has been directly responsible for many of the recent wild fluctuations in foreign exchange and domestic financial markets. It has also severely depressed the real economy.

Now the Government seems to have partly abandoned its earlier method; the failure to replace it by any clearly-defined policy does not improve matters. But a straightforward return to monetary targets is not a sensible course to follow. Furthermore a move to a more broadly-based money income or money GDP target, as advocated by Samuel Brittan* although desirable in itself should form only part of a broader economic strategy.

Five basic principles for action seem necessary.

- The pursuit of monetary targets should be replaced by the pursuit of a target range for the growth in total money income.
- This target range should be pursued by primarily budgetary rather than monetary means.
- Monetary policy should be used mainly to achieve an exchange rate falling within a narrow target range.
- This target range for the exchange rate should be varied from time to time so as to make the economy sufficiently competitive. In particular it should ensure that, over the medium term, enough exports are sold to make a large PSBR unnecessary for budgetary policy to be successful in keeping total money income growing within its target range.
- A radical reform of wage-fixing arrangements is also necessary to promote employment within the financial constraint set by the rate of growth of total money income falling within the target range.

The first and second of these proposals are Keynesian. Keynes argued that money incomes are determined by aggregate money demand for domestically produced goods and services.

He showed that consumers' expenditure on domestic products is primarily dependent on post-tax incomes and on the relative attractiveness of foreign products. Although consumers' expenditure is the biggest component of money demand, it plays a largely passive role in the determination of total money income. This will therefore be determined by the levels of private investment, of net exports (ie, the excess of exports over imports), and of government spending and taxation. (The workings of this process are summarised by Lord Kahn's famous "multiplier" formula.)

This proposition can of course be contrasted with the view of the present Government that total money income depends on the supply of money. Experience of the past few years shows that the Government's view is almost entirely incorrect. Therefore attempts to regulate the economy by controlling the supply of money are unlikely to succeed.

Fiscal regulation, by contrast, is likely to have a strong direct effect on money expenditures and incomes. In order to make this sort of regulation possible it will be necessary to use powers similar to those in the old "regulator" which allowed ministers to vary tax rates within certain specified limits without the approval of Parliament. It is probable that such regulation will be easier to achieve through variation in indirect rather than direct taxes.

In our strategy monetary policy would play a new and crucial role. Through its effect on interest rates and the exchange rate, it would influence the level of net exports and of private investment. This would in turn determine the level of Government spending and taxation needed for the economy successfully to meet its target level of total money income. It is by this route that the PSBR would be controlled.

Graphics: Robin Colas

The primary tool of monetary policy should be the short-term interest rate. A lower short-term interest rate has the following effects. It first lowers the exchange rate. After a time net exports will increase, so directly raising total money income.

At the same time the lower exchange rate raises the profitability of exporting and of competing against imports, thereby stimulating private investment which will also have been directly stimulated by the lower cost of borrowing.

These increases in expenditures on net exports and on home investment will enable the target for the growth in total money income to be reached with less Government spending or less stimulus by way of tax cuts to personal consumption. After these effects have worked out a lower PSBR will result.

Suppose that the PSBR were considered too large. A lower (not higher) rate of interest would be required. By the process discussed above, over the medium term, the large PSBR could be reduced. At the same time a counterpart of bringing down the PSBR by these means would be a higher rather than lower level of private investment in the economy.

To summarise, the role of monetary policy in our strategy would be to manipulate the short-term rate of interest and thereby influence the exchange rate and our competitive position. Since this affects the level of public borrowing needed to achieve a given target for total money income, monetary policy can be regarded as controlling the size of the National Debt. It may also be regarded as determining the fraction of the total national product which is devoted to the accumulation of capital resources, through its effects on home investment and on the foreign investment of the proceeds of the sale of net exports.

As an example of the way the monetary part of our policy would be conducted in practice, let us consider what would happen if there were a large increase in world interest rates.

If the rise was expected to be long-lived and present policy were maintained under which domestic interest rates follow world levels, then private investment would be discouraged and fiscal expansion would be needed in order to maintain the target level for total money income. This would increase the PSBR.

The working of our rules under such circumstances would be different. They would suggest that interest rates be increased by less than the increase in world interest rates. This would allow the exchange rate to be lower and, by raising exports, would offset the fall in investment. If the increase in world interest rates was expected only to be temporary it might be possible to maintain the exchange rate without any rise in interest rates, through the use of foreign exchange reserves.

Our policy proposals have deliberately made no mention of the money supply. Following our proposed rules would ensure that effective financial discipline, which the Prime Minister believes to be important, is maintained. This would follow from the pursuit of the target range for the growth of total money income, without any explicit reference to monetary targets.

The policy might, of course, lead to a potentially large monetary expansion, if large fiscal expansion proved necessary to prevent a slump in total money expenditures. But this effect could be modified without an undesirable rise in the short-term interest rate by manipulation of the yield curve to make possible some offsetting sales of long-term gilts.

The above analysis has been concerned with the formulation of an effective set of budgetary, monetary, and foreign-exchange policies which would serve to keep the level of total money income on a steady growth path and at the same time to achieve appropriate levels for the PSBR (and the ratio of investment to total national expenditure). Such an approach would be superior to the Government's medium term financial strategy.

Yet this deals with only half, and perhaps the easier half, of our basic problem. A given increase in total money income can be made up of an increase in prices and wages or output and employment. It is quite possible that the target increase in total money income might be dissipated almost entirely through higher wages and prices.

In order to prevent this outcome, a fundamental reform of wage-fixing arrangements, in order to promote employment within the constraint provided by the target increase in total money income is needed.

Proposals have recently been made for the taxation of above-norm increases in rates of pay and for effective arbitration procedures for pay awards to promote employment.

The crucial question remains whether sufficiently robust and flexible arrangements can be devised on these or other lines and can be advocated in such a way as to be generally acceptable. But in the present article we confine our attention to the issues of financial policy.

Professor James Meade (74) (pictured) is Emeritus Professor of Political Economy, University of Cambridge, and an honorary Fellow of Christ's College. He is a former Government chief economic adviser and won a Nobel Prize in 1977 for his work on international economics. He is currently directing the stagflation project at the university's Department of Applied Economics investigating how Britain can return to full employment without inflation.

David Vines (32) is a Fellow of Pembroke College, Cambridge, and a member of the Department of Applied Economics. He is now at work on the stagflation project directed by Professor Meade.

Martin Weale (26) is a Fellow of Clare College, Cambridge, and a member of the Department of Applied Economics. He is working on the Cambridge Growth Project investigating growth and fluctuations in the British economy. It produces the model used for forecasting by Cambridge Econometrics.

* "How to End the 'Monetarist' Controversy." Hobart Paper 90. Published by the Institute of Economic Affairs, 1981.

Lombard

The universities and the cuts

By Michael Dixon

DECEMBER is a memorable month for the 44 UK universities. Just 12 years ago they united in protest against economy proposals put forward by Mrs Shirley Williams, the then Labour Government's Minister of State for Education. Seven years ago this week about half a dozen universities evidently nearing insolvency in the economic freeze of the time were rescued by an extra £15m of public money obtained for them by Mr Reg Prentice, the then Labour Government's Education Secretary.

Yesterday brought another attempted rescue. The impetus again came from Labour in the person of Mr Christopher Price, chairman of the Commons Select Committee on Education. The committee issued an emergency report on universities struggling to make the savings, including reduced intakes of students, which the Government requires by 1984. The MPs urged Ministers either to give the institutions more time or to provide them with funds, estimated at up to £180m, wanted to compensate staff who will have to be made redundant.

But the report gives pride of place to the MPs' evident belief that numbers of university students should not be cut. If they are, the document pointed out, the Government will breach the principle enshrined in the Robbins Report of 1963 that "courses of higher education should be available for all who are qualified by ability and attainment to pursue them and who wish to do so."

There are, however, at least three arguments why the so-called Robbins principle should not be maintained any longer.

One lies in the contention that the principle was never properly put into force. Lord Robbins has repeatedly made plain that his committee intended the higher educational expansion to take the form largely of courses to improve the general powers of the mind, studies which would be broader than the conventional highly specialised honours courses. "I would not have recommended the expansion of degree courses if the universities were merely to turn out more and more narrow specialists," he told me in 1971. But the expansion as carried out was nevertheless largely in specialised honours studies.

Another doubt arises from the words "qualified by ability and attainment." Lord Robbins made clear that the qualification was to be achieved by "passing certain tests" and in most instances the apposite test is the achievement of two passes in the GCE Advanced-level examinations.

But because of the statistical convention used in grading most A-level exams, the absolute performance needed to attain a given grade varies not only with subject and from one examining board to another, but also probably over time. It therefore cannot be safely assumed that what was represented by two A-level passes in 1963 is the same as whatever they might represent now.

Moreover when the Robbins Inquiry was undertaken economic theory was influenced by a revival of the so-called human capital theory. This asserts that investment in education increases a nation's productive capacity just as does investment in physical capital such as machinery. Accordingly it seems to have been assumed by many people that the provision of higher education for more of the population would improve at least the economic lot of the whole.

Subsequent events suggest that the theory has not proved true in Britain. The reason may be that our higher education system is different from those of other countries. For example, West Germany—which in 1978 had, like the UK, about 20 per cent of its 18-year-olds in higher studies—supplies its workforce with a considerably higher proportion of graduate engineers and technologists and fewer sociologists, psychologists and so on.

This does not, of course, justify the Government in lettingling universities slide into bankruptcy. But it does indicate a need for change in the content of UK higher education which could not be brought about by the simple maintence of the Robbins principle as a keystone of policy, which the Commons Committee evidently wishes.

Letters to the Editor

Handling heavily oversubscribed issues and placings

From Sir John Mallabar

Sir,—Twice recently issues or placings have been very heavily oversubscribed, and we read of the heavy load on the staff of the bankers handling the applications. No small part of this work consists of preparing the cheques to be sent to applicants in respect of the amounts returnable to them.

The volume of this work, and in consequence the speed with which it is carried out, could be reduced significantly if applicants were required to make out their cheques without filling in the amount payable, but instead noting on the face of such cheques "Not to exceed £x," x being the full amount payable should the whole of the shares applied for be allotted.

The receiving bankers could then complete the cheques of successful applicants by inserting the amount actually payable. This would avoid large sums washing about needlessly in the banking system. There would be some loss of interest on funds otherwise temporarily in the hands of the receiving bankers, but this would not seem to be of sufficient importance to be a valid argument against the adoption of the course suggested.

Sir John Mallabar.
39, Arlington House,
St James's, SW1.

Spare capacity in edible oils and new developments

From the Director for Corporate Development, Croda International

Sir,—We have now seen the break-up of Linwood, a vivid reminder of the cost of successive Governments' regional policy. Have any lessons been learnt? I fear not.

It was recently announced that a vegetable oils and oil meals plant is to be resuscitated on Clydeside and greatly expanded by a new company, Foods and Feeds (UK), headed by an Indian businessman, Mr Basudeo Agrawalla, who represents a group of non-resident Asian investors. It has been reported that the level of financial assistance available from the Government was a major factor in attracting this £15m development to Scotland. It is anticipated that production facilities will be enlarged to process nearly 500,000 tonnes of rapeseed and soya beans a year by the end of 1983, when 250 people will be employed.

There are various reasons why the taxpayer's investment in this venture looks to be unpromising. To start with the previous owners of the plant, Clyde Oil Extraction, a subsidiary of a Danish edible oils group, shut it down in 1976, presumably having failed to find anyone to take it off its hands. Since 1976 the position of this industry has deteriorated to the extent that it is estimated that there is now 25 per cent spare refining capacity equivalent to an annual throughput of 200,000 tonnes. Unsurprisingly profits have suffered and only last month the Guinness Peat Group announced the sale of its loss-making Britannia Refining Company. Our own company, Croda Premier Oils, is making an unsatisfactory return on the capital employed in its two edible oil refineries. In short, all the evidence indicates that the UK has more than adequate capacity to process the demand for refined vegetable oils and oil meals for many years to come.

But perhaps this new venture will enjoy specific competitive advantages to justify Government support. I doubt it. There have been no significant technical advances to give new refineries the edge over existing refineries. On the marketing side the bulk of the custom is south of the border and on the supply side almost all the rapeseed crop is harvested in the warmer fields of England.

The only competitive advantage then that this new Clydeside refiner can draw on in my view is Government largesse. If the Government is an generous to Mr Agrawalla as it has been to Mr de Lorean, 250 permanent jobs may well be created on Clydeside and the taxpayer's investment safeguarded, but 250 jobs will be lost at other refineries on Merseyside, Humberside and elsewhere and, of course, tax revenue will be forgone from existing oil refiners. If, on the other hand, this Clydeside venture fails, 250 Clydeside jobs will prove to have been a fantasy and the Government's financial assistance a gift and in all probability a fair amount of tax revenue from other refiners will have been sacrificed in the process. In fact the taxpayer seems bound to lose whatever the outcome.

Two years ago Croda's gelatin business was seriously undermined when the Welsh Development Agency spent £2m financing the losses of P. Leiner and Sons, which 12 months after this largesse collapsed into receivership. It is dispirting to see the UK vegetable oils sector heading for a similar Government induced turmoil.

Resuscitating regional lame ducks (or even dead ones) has no better record of success than other forms of Government financial intervention. I recognise, however, that there may be cases (here a respectful nod in the direction of British Technology Group) where Government financial support can be of value but let it always be clear at the outset that the financial assistance will not on balance do more harm than good.

R. M. H. Heseltine.
Croda International,
Cowick Hall,
Snaith,
Goole,
Yorks.

Marriage bureau for sponsorship

From Lord Harewood

Sir,—I read with interest the section on sponsorship of the arts (December 2). It was a useful reminder of one of the problems facing the arts and one of the challenges facing industry, and I should like to take this opportunity of drawing attention to what I believe to be a real barrier to promoting arts sponsorship, namely the absence of any true "marriage bureau."

I am frequently told and happily accept that there are many potential sponsors for English National Opera because of its national role of promoting the art form in this country by singing in English and thereby encouraging British artists and composers, and indeed new British audiences. We have had splendid support and are always happy to discuss sponsorship with anyone.

The Association for Business Sponsorship of the Arts is the first to argue that it is not a "marriage bureau." Would ABSA also agree that there is a need for an organisation which knows not only what industry needs, but also what the arts need? Come to think of it, would not ABSA itself, understanding both sides of the problem, make the perfect marriage broker — if it would steel itself to the task?

Harewood.
English National Opera,
London Coliseum,
St. Martin's Lane, WC2.

Resistance to steel price rises

From the Purchasing Director Lancer Boss

Sir,—You reported that Mr Ian MacGregor the chairman of British Steel Corporation, "hoped that steel users had not got used to using subsidised steel" in support of his view that steel prices must inevitably rise.

He is quite right. Steel users do not want subsidised steel. What we need is competitive steel. That is steel which can be purchased at a price which enables it to be converted into finished products and sold in both home and export markets at a price which will enable both BSC and its customers to have viable businesses.

Perhaps if I were running BSC I too would want to be running a carefully orchestrated campaign, with the aid of the EEC, Davignon and other European steel producers, to condition my customers into believing that rises in the price of steel were both desirable and necessary. Let no one, however, be in any doubt: there is no great upsurge in demand for steel which would justify price increases. BSC's customers are still having to cut costs and to fight like the very devil to remain competitive in both home and export markets. Even if it is (dubiously) argued that rises in British and European steel prices will not put us at a comparative price disadvantage with our European competitors, it must still be remembered that we need to compete with manufacturers from outside the EEC.

BSC must also get its costs right and prove that it can supply steel at a price which its customers can afford to pay. If this were done there would be no need to raise already high steel prices to a point where even long time champions of BSC's cause like myself are forced to vote with our feet and buy elsewhere.

We are direct purchasers of all our steel-based components and if we are to remain competitive we shall be stoutly resisting price increases from our component suppliers based upon rises in the price of steel. We shall be expecting and helping our suppliers to do likewise.

J. Doran
Grovebury Road,
Leighton Buzzard,
Bedfordshire.

Lynton rises to £701,000

AN INCREASE in interest receivable from £212,000 to £328,000 helped **Lynton Holdings** raise pre-tax profits to £701,000 for the half year to September 25 1981 compared with £595,000 last time.

Gross rental income of this property investment and development group was marginally higher at £1.53m (£1.51m). In addition to interest, pre-tax profits included £335,000 (£334,000) from investment properties and £38,000 (£49,000) from property trading.

The interim dividend is being stepped up from 1.5p to 1.65p net per 20p share and the board anticipates that last year's total of 3.4p will be at least maintained. Half-year earnings per share advanced from 2.5p to 3.15p.

Tax charge was lower at £280,000 (£304,000) and after deducting minorities of £108,000 (£67,000) the attributable surplus was ahead from £224,000 to £313,000.

Small halfway rise at AAA

TAXABLE profits of **AAA Industries** showed a slight rise from £131,000 to £140,000 for the six months to September 30 1981. Turnover improved from £3.65m to £3.92m.

The pre-tax profits included £136,000 from associated companies, a *sharp rise on* £75,000 last time. Interest charges were virtually unchanged at £161,000 (£162,000).

All subsidiaries traded profitably with the exception of AAA Dynamics. Although problems there have not been resolved the directors say a satisfactory solution will be found by year-end.

The net interim dividend is held at 1.065p. In the last full year a total payment of 2.13p was paid from pre-tax profits of £167,064 on turnover of £7.99m. Tax this time took £64,000 (£51,000).

The company changed its name from Anglo American Asphalt Company in February this year.

SPAIN

December 7	Price %	+ or −
Banco Bilbao	224	
Banco Central	328	−3
Banco Exterior	307	−3
Banco Hispano	325	−2
Banco Ind. Cat.	115	
Banco Santander	350	−6
Banco Urquijo	219	+2
Banco Vizcaya	350	−3
Banco Zaragoza	213	+1
Dragados	140	−5
Espanola Zinc	63	
Fecsa	65.7	−0.8
Gal. Preciados	48	
Hidrola	73.5	−1.7
Iberduero	56	+0.8
Petroleos	95.2	−2.8
Petroliber	94	−2
Sogefisa	30	
Telefonica	70.5	
Union Elect	76.2	+0.2

Initial Services improves by £2.1m at interim stage

FOR THE six months to September 30 1981 pre-tax profits of **Initial Services**, the laundry and hire group, rose by £2.05m to £11.01m and the net interim dividend is being lifted from 2.75p to 3.25p. Last year's total payment was 9p from profits of £19.71m.

Turnover for the half year improved from £71.81m to £79.63m and operating profits came through £1.39m higher at £10.67m. There was interest received this time of £62,000, compared with that paid of £573,000 last time and the pre-tax result also included non-trading income of £282,000 (£226,000).

Tax took £4.69m (£3.9m), for earnings of 11.4p (9.1p) per 25p share. There were minority profits of £252,000 (£207,000) and extraordinary debits of £755,000 (£78,000) which left the attributable balance up from £4.75m to £5.29m. Out of this, the interim dividend absorbed £1.73m (£1.45m).

On a CCA basis, pre-tax profits are shown at £8.7m (£6.6m), the attributable balance emerged at £3m (£2.4m) and earnings per share improved from 4.5p to 7.2p.

● comment

Initial was able to post a 23 per cent improvement in pre-tax profits and raise its interim dividend by 18.18 per cent, so the market's enthusiasm is easy to understand. The shares rose 18p to 243p, where the historic yield is now less than 6 per cent. The re-rating was extended to other cleaning shares, but there must be some question whether a bullish view of the sector is justified on today's figures, since other recent results suggest that they do not obviously generalise. Operating profits have risen 15 per cent, but that owes little to volume — apart from newly acquired businesses — and much to prolonged cost-reduction. Again, the company is now a net receiver of interest; it attributes this turn of events largely to the recession, being no longer geared up for expansion. In cleaning and workwear new business is difficult to get, and price increases have been minimal. But Initial has found a way out of the tax trap sprung on its competitors by failure to invest in stocks of new overalls. Entry into film production ("Clash of the Titans" was the first release) has secured enough capital allowances to hold the estimated tax charge down to about 43 per cent. Assuming £23m before tax — perhaps a unte conservative — the shares stand on 12 times prospective fully-taxed earnings.

HIGHLIGHTS

With the Monopolies Commission due to report on whether **Lonrho** can bid for **House of Fraser**, **Lex** looks at the two companies' positions and the battle lines they are drawing ahead of the announcement. In the U.S. the struggle for **Marathon Oil** between **Mobil** and **U.S. Steel** has reached a critical stage and Lex looks at the state of the bids before turning to a discussion on the new accounting standard FAS52, replacing FAS8. Lex then briefly reviews a quiet day in the markets in which gilt-edged stocks lost ground while equities generally advanced. On the bids and deals front **H. Brammer** is moving into the U.S. with a £5¼m acquisition.

Fenner falls, but optimistic

PRE-TAX PROFITS of **J. H. Fenner and Company (Holdings)**, power transmission engineers, finished the year to August 29 1981 well down at £8.56m, *compared* with £9.52m, after declining from £4.26m to £3.85m at the interim stage.

However, the directors say that *towards* the end of the financial year slight signs of increasing demand appeared in the UK. This improvement has continued in the first two months of the current year but "it is still very modest and *cannot be regarded* as a sustained move out of the recession," they point out.

Trading conditions are expected to remain difficult for a considerable time yet — the group's forward planning is *based on this assumption*. Nonetheless, looking at the group's strength overseas and the effect of new technologies and products the directors believe that provided manufacturing activity in the UK does not suffer a further significant decline there are reasonable prospects in the current year to returning to the record level achieved in 1979-80.

Turnover for the year under review advanced by 9 per cent from £120.15m to £130.5m. The pre-tax profit was struck after net interest charges of £3.34m (£2.94m) and other costs.

Although stated earnings per 25p share showed a drop from *20.24p to 16.23p, a same-again* final dividend of 5.37p maintains the total at 9p. Current cost accounting reduces the pre-tax *figure to £4.57m and on the same* basis earnings per share are given at 4.52p.

● comment

Fenner is motoring out of the recession on the strength of its overseas activities. A volume decline of 13 per cent at home has been well offset by a 31 per cent gain abroad in the year. Trading profits, as a result, have only slipped by 6 per cent. Largely to support this international expansion, capital spending jumped 50 per cent in the year to £6m. With the increased *element of foreign borrowing*, capital gearing has inched up to about 57 per cent. This would be more worrying if the *overseas divisin nwas not doing so* wellso far only India seems to be performing poorly. The new U.S. acquisition, Slone, has apparently kicked in some *£700,000* in its first full-year contribution. Loss elimination in fluid sealing, continued strength overseas and steady business with the NCB point to pre-tax profits this year of about £9.5m. Shares up 11p to 160p have a prospective fully-taxed p/e of just under 11, which is well supported by a 8.3 per cent yield.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
AAA	int.	1.07	Mar. 1	1.07	—	2.13
Caffyns	*int.*	2.2	*Jan. 22*	2.2	—	4.5
CH Industrials	int.	0.91	Feb. 5	0.91	—	2.42
Edbro (Holdings)	int.	2	Dec. 31	nil	—	nil
Fairline Boats		0.5	Feb. 4	1.8	1	3.5
J. H. Fenner		5.37		5.37	9	9
Initial Services	int.	3.25	Jan. 18	2.75	—	9
Kleen-e-ze	int.	1.5	Jan. 30	1.5	—	5.5
LRC International	int.	0.7	Apr. 1	0.7	—	2.5
Lynton Hldgs.	int.	1.65	Jan. 6	1.5	—	3.4
Alfred Preedy	int.	0.75	Feb. 15	0.75	—	3.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Receivers for Wood & Sons

Wood & Sons (Holdings), the Burslem based manufacturer of earthenware products, has asked bankers to appoint receivers. At the company's request, the shares were suspended yesterday at 4p.

The joint receivers have been confirmed as Mr J. H. Gaston and T. M. Rogers, both of Dixon *Wilson & Co. of London, and it* is anticipated that they will make a statement in due course.

The company's 1980 accounts *have not been published*, but figures for the first half of that year showed a pre-tax loss of £288.00. For the previous full *year, a £189,787 loss before tax*, was incurred.

Caffyns cuts loss at midway

IN CONTINUING difficult trading conditions, **Caffyns**, the motor agent and engineer, has reduced pre-tax losses from £130,779 to £91,748 for the half year to end September, 1981, on turnover 13 per cent higher at *£32.02m, compared with £28.39m.*

The directors expect the improvement to continue. They are maintaining the interim dividend at 2.2p net per 50p share, bus say this should not be regarded as any indication to the final—the previous final was 2.3p on a loss before tax of £697,367.

First-half trading profits were £804,655 (£903,199). These were before depreciation of £120,858 (£102,706), interest including display charges £621,767 (£782,755) and £153,778 (£148,517) contribution to staff pensions funds.

Tax charge was again £50,027.

FINDLAY HARDWARE

The Findlay Hardware Group is to pass its preference dividend due on January 1, 1982.

In October, the company *reported increased pre-tax losses* of £311,000 (£166,000) for the first half of 1981. No ordinary interim was paid and the board said *there appeared no* likelihood of a final for 1981.

KEYSTONE INV.

Pre-tax profits of Keystone Investment Company, an investment trust, showed a slight fall from £1.1m to £1m for the year to October 31 1981 and gross income slipped to £1.15m, compared with £1.26m.

Tax for the period took £325,030 (£376,657). A final dividend of 6.6p makes a higher total net payment of 10.6p, against 10.5p previously, and a one-for-10 scrip issue is also proposed.

Net asset value per 50p share was down from 284p to 252p.

BIDS AND DEALS

H. Brammer pays £5.2m for U.S. pump distributor

H. Brammer and Co., the bearings and power transmission equipment distributor, has successfully concluded its search for an acquisition in the U.S. with the purchase for $10.1m (£5.2m) of a specialised pump distributor serving the Texan oil industry.

Master Pumps and Equipment Corporation, based in Odessa, Texas, was established in 1968 and has grown at around 30 per cent annually in recent year. It made pre-tax profits of $1.81m (£0.93m) in the year to August 31, when it had net assets of $2.87m (£1.48m).

To help finance the acquisition, made through a wholly-owned U.S. subsidiary, Brammer has placed 2.5m new shares through brokers Vickers da Costa at 113p per *share. The shares closed* yesterday up 5p at 125p.

In addition to £2.83m from the placement, Brammer has borrowed $3m from National Westminster in New York. This has left $1.6m (£829,000) of the purchase price to be met from Brammer's own cash resources, which stood at around £5m at the end of June.

Mr R. G. Ffoulkes-Jones, Brammer's financial director, said that Master Pumps would be run as an autonomous subsidiary retaining the present management, including the founder and vendor, Mr W. E. Tally, who is to remain as chief executive officer.

Pumps represent a new sector for Brammer but the distribution and *service nature* of the Texas company's business "tie in very closely with our business and philosophy in the UK," said *Mr Ffoulkes-Jones last night.*

Brammer has been pleased with the performance of Pepe Machinery, the U.S. grinding spindle manufacturer which it acquired in 1979 for just under $3m, and further expansion in the U.S. is not ruled out. But the *company said last night that it* now had "a reasonably substantial involvement" there and would have an open mind about *the location of any future* acquisitions.

Mr John Head, Brammer's chairman, and Mr Ffoulkes-Jones will join the board of Master Pumps as non-executive directors.

Brent Chemicals to pay £3m for Reddish

Brent Chemicals International, the industrial chemicals manufacturer, yesterday announced an offer to purchase for £3m the **Reddish Chemical Company** and **Reddish Detergents**. The deal is subject to a satisfactory accountants' report on Reddish and the approval of Brent's shareholders.

The offer has already been irrevocably accepted in respect of 59 per cent of the shares in Reddish Chemical and 85 per cent of Reddish Detergents by *certain shareholders including* the directors and their families.

The consideration will be satisfied either by cash or shares, depending on the requirements of the Reddish shareholders.

Brent *said yesterday* that Reddish was a long established supplier of speciality cleaning and sanitising chemicals to the dairy, food processing and beverage industries.

The latest audited accounts of Reddish for the year to April 1981 showed sales of £3.9m, pre-tax *profits of £562,000* and net-tangible assets amounting to *approximately £1½m.*

Brent said that following the proposed acquisition, Reddish would continue to operate as a separate *unit* within *the* group. Mr Wilfred John Hipkins would *continue as executive chairman* of Reddish and would enter into a service agreement with Brent, as would the two other executive directors.

The acquisition is expected to be completed by the end of April 1982. Meanwhile, a circular giving further details will be despatched to Brent shareholders in due course.

Hanson stake in Berec reaches 21.5%

THE TOTAL holding of Hanson Trust and its subsidiaries in the ordinary shares of Berec now stands at 14.39m (21.5 per cent). Acceptances received for the Hanson offers of October 17 1981 amount to 475,369 ordinary shares (0.71 per cent) and 52,894 preference shares (26.45 per cent). On December 4 Hanson bought 3.39m shares at 150p (5.1 per cent).

Immediately before the offers were announced on September 4 the Hanson group owned 9.95m ordinary shares and subsequently bought another 0.58m.

BURNETT & HALLAMSHIRE

Burnett and Hallamshire Holdings has agreed to acquire 23 per cent of the capital of Isle Resources (U.S.) Inc. an unlisted company registered in Texas.

Isle Resources is a natural resource company engaged in the acquisition, exploration and development of oil and gas bearing properties predominantly in Texas and Oklahoma.

M. F. NORTH

Mr A. L. Knight entered into an option agreement on November 23 whereby he has the right to acquire 4.5m shares *in M. F. North, such right to be* exercised on or before noon on December 8.

CLAYTON

On November 27 last, **Clayton, Son and Co (Holdings)** acquired *for £483,000 cash*, that stocks, work-in-progress, trade marks, drawings, patterns and goodwill of W. H. Baxter (in receivership) and its subsidiary, Bramley Engineering Company.

Baxter and Bramley manufacture stone and ore crushers, ancilliary plant for the gravel and mining industries and stone cutting machinery.

A. J. Henry receiver accepts offer

A. J. Henry (Travel), the Sheffield-based travel agency which went into receivership on November 30, may be sold as a going concern later this week. Mr Richard Turton, the Spicer and Pegler partner appointed as Receiver and manager, said he had received and accepted an offer for the company and was "*hopeful of concluding a deal* within a few days."

A. J. Henry retains a staff of 32 after 38 redundancies. With eight retail offices in South Yorkshire, it had a turnover in 1980-81 of £7m, trading under *the name of Marina Holidays.*

The company ran into difficulties in October. It received financial support from Tom Hill (Holdings), the London-based agency operating at Trafalgar Travel. Mr Mike Ness, a director of Tom Hill, said it had been intended to purchase the equity of the company but agreement could not be reached with the present owners.

The Receiver, who is understood to be acting on behalf of Yorkshire Bank, said yesterday that he was investigating the *relationship* between the owners, Tom Hill "and any other parties" involved in the financial support given to the company in recent months.

EUROPEAN FERRIES

Mr Keith Wickenden, chairman of European Ferries, commenting on bid rumours surrounding the group, says "absolutely no approaches" have been received.

BIDS AND DEALS

Charterhouse Group links in £3.4m deal

Charterhouse Group, the investment and banking company, together with two partners, has acquired 45 per cent of the ordinary share capital of P. J. Burke, a specialised contractor in the gas, coal and engineering industries, for £3.4m cash.

Charterhouse's partners are Mr Nigel Swiffen, former chairman and chief executive of Burnett and Hallamshire (Holdings), and Mr Malcolm Stockdale, managing director of P. J. Burke. Mr Swiffen and Mr Richard Strong and Mr Stephen Clarke, both of Charterhouse, have joined the board of P. J. Burke.

Burke was formed 25 years ago by its current chairman, Mr Pat Burke, to carry out general civil engineering work. The new capital is to be used to assist the company's expansion and in particular will enable it to increase its activities in other parts of the UK.

RECEIVER AT FORMER NORTON WARBURG INVESTMENTS

A receiver has been appointed to Waterbrook, the venture capital company originally known as *Norton Warburg Investments* which until now had escaped the crash of the rest of the Norton Warburg group. *Waterbrook* has interests in music and catering.

The appointment follows the lapse of a bid for the company from the private consortium Intragem.

WESTMINSTER PROPERTY

Mr V. W. A. Gray, a director of *Westminster Property Group* (WPG) has acquired from Graylaw Holdings 1m ordinary WPG shares, raising his holding to 1.008m shares.

The sale reduces Graylaw's holding to nil, although two of its wholly-owned subsidiaries — Graylaw Investments and Graylaw Properties — between them hold a further 5.05m ordinary shares in WPG. They intend to retain these shares as an investment.

PRITCHARD'S U.S. DEAL COMPLETED

Pritchard Services Group has been advised by the U.S. Department of Justice that it intends to take no action under the U.S. anti-trust regulations in relation to its acquisition of National Medical Consultants. The acquisition has become unconditional and completion has taken place.

Dalgety sells Highgate & Job stake

Dalgety has disposed of its holding of 331,960 shares (36.09 per cent) in Highgate and Job group. Panavision Windows and its associate Pickles of Paisley, have acquired between them 14.9 per cent of the capital of *Highgate Job Group*.

Hamilton Oil in $7.9m deal

The wholly-owned U.S. subsidiary of **Hamilton Oil Great Britain** has purchased a number of limited partners' interests in two limited partnerships — Oil and Gas Hamilton and Oil and Gas Hamilton II. These companies have interests, inter alia, in a spread of oil and gas properties in the U.S. and Canada.

The total consideration for these acquisitions, US$7.94m (approximately £4.12m), has been met out of the company's cash resources. These acquisitions accord with the directors' policy of acquiring interests in producing oil and gas properties in order to develop the company as an international energy-based concern.

Hamilton Oil Great Britain's main source of revenue is derived from its 28.8 per cent interest in the North Sea's Argyll *oil field*.

ASSOCIATES DEALS

On December 4 S G Warburg and Co. as an associate of Berec Group, sold on behalf of a discretionary investment client 50,000 ordinary shares of Berec at 149½p.

Phillips and Drew, as an associate of Berec sold 17,000 Thomas Tilling shares on Friday at 142p for a discretionary investment client.

It sold 160,600 Berec shares on Friday at 150p for a discretionary investment client and sold 25,000 Hanson Trust shares at 281p on Friday for a discretionary investment client.

S. G. Warburg and Co., as an *associate of Thos. W. Ward, sold* on behalf of a discretionary investment client on December 1, 500 **ordinary 25p registered** shares of Rio Tinto Zinc Corporation at 475p.

TORDAY

The offer by Torday for Lockwood and Carlisle has been accepted in respect of 190.077 shares, representing 99 per cent of the share capital.

The offer remains open until further notice.

Tootal seeks shareholders' approval for Bradmill deal

Tootal, the textiles group, has sought its shareholders' approval of the decision, announced on November 26, to sell its entire 49.5 per cent holding in its Australian associate company, *Bradmill Industries. At the same* time, hearings have begun before the National Companies and Securities Commission (NCSC) in Sydney into the circumstances of the proposed sale.

The prospective purchaser, Bruck Australia, has agreed with Tootal on an overall price of A$39.8m (£23.4m). With Tootal's shares up 1p at 32p last night, this price represents 41.3 per cent of a £56.69m market capitalisation for Tootal. Stock Exchange listing rules require directors of a company to have shareholders' approval for a change of this size.

Tootal intends to dispose of *its Bradmill holding in two* stages. The first involves the sale of a 19.5 per cent stake to Bruck. This was made conditional last month on Bruck bidding for the remaining 80.5 per cent of the company, which offer would then allow the UK group to dispose of its remaining 30 per cent position.

The NCSC, Australia's corporate watchdog, appears to be taking a particularly close interest in the transaction in view of the terms of the Bruck offer. In a bid worth A$32.25m (£18.97m), Bruck is offering 75 cents for each of the outstanding shares—compared with a market price of 88 cents prior to the announcement and over A$1.00 since it was made.

In the Class I circular to shareholders, Mr A. W. Wagstaff, Tootal's chairman, sets out three specific reasons for the sale. The "attitude of the Australian authorities has hardened," precluding Tootal from increasing its stake in Bradmill as was originally envisaged when it bought its present holding for A$18.5m in 1978.

Second, there is concern that the tariff protection currently available in Australia for the domestic textile industry might be reduced "at a faster rate than was anticipated."

Third, capital investment requirements at Bradmill require a *restricted dividend payout* policy, causing "a potential source of conflict." Dividends provide Tootal's only access to *cash flow benefits from its in*vestment. Last year, Tootal received £0.5m, though £3.5m of Bradmill's profits were attributable to Tootal on an equity accounting basis.

The chairman adds that the divestment will increase Tootal's cash flow, improve its financial gearing and contribute to a small increase in earnings. A pro forma statement of profit and loss for the year to January 31 shows profits after tax and minority interests (before extraordinary items) at £2.62m excluding Bradmill, against £2.47m including the Australian associate.

Graeme Johnson in Sydney adds: Hill Samuel, acting as advisers to Bradmill, told the first day's hearing of the NCSC yesterday that Bruck's offer was inadequate. The merchant bank said it would have been "surprised" if any bidder had appeared who expected to gain control of Bradmill "for less than A$1.00 a share. It may well be that if we were asked to establish a value for the company it would be in excess of thaat figure."

The NCSC hearing is the first public hearing undertaken by the commission. Among other issues, it will examine whether any arrangements between Bruck and Tootal breached the insider trading provisions of the Australian securities code.

In a surprise move, both the press and public observers were asked to leave during one stage of the hearing while the commission heard evidence in private from an unnamed witness. Legal counsel for both Bruck and Tootal objected to this, claiming it was a "denial of natural justice."

CHARTERHOUSE JAPHET

Broadcastle Leasing has purchased the issued share capital of Keyser Ullmann Leasing from Charterhouse Japhet. At the same time, Mr W. J. C. Douie has purchased from Keyser Ullmann Leasing the shares formerly held by it in Broadcastle. Mr Douie has been appointed chairman of Keyser Ullmann Leasing, which will change its name as soon as practicable.

Fraser bid: report out tomorrow

THE REPORT by the Monopolies and Mergers Commission into *Lonrho's takeover of House of* **Fraser, the Harrods** stores group, is to be published tomorrow.

As speculation mounted that the bid would be ruled to be against the public interest, Mr Roland "Tiny" Rowland, *Lonrho's chief executive, said* yesterday that even if the bid were to be blocked "it is impossible for the Department of Trade or the Commission to force us to sell or reduce our 29.99 per cent shareholding in Fraser. They would need to pass a special law."

Lonrho has taken legal advice from leading counsel on this particular aspect.

On the stock market shares of Fraser fell 6p to 155p while Lonrho's were 80p unchanged.

Mr Rowland said that the conflict between directors of Fraser and Lonrho would not be *removed if the Commission were* to have the bid blocked. Lonrho would call extraordinary general meetings "as and when appropriate" *if House of Fraser* started to act in a way which was against the interests of Lonrho and other shareholders.

"*It is not a case of personalities*," Mr Rowland said, "we have an £85m investment in House of Fraser."

Mr Rowland said *that he could* not see why the bid would be against the public interest. "We have 450 retailing outlets."

He said the group would be able to muster up to around another 10 per cent of the Fraser equity in support of its arguments in the future.

LONDON TRADED OPTIONS

Dec. 7 Total Contracts 1,795. Calls 1,583, Puts 212

Option	Ex'rcise price	Jan. Closing offer	Vol.	April Closing offer	Vol.	July Closing offer	Vol.	Equity close
BP (c)	300	40	—	50	1	64	—	330p
BP (c)	320	24	32	—	—	—	—	"
BP (c)	330	—	—	30	10	44	—	"
BP (c)	350	8	8	—	—	—	—	"
BP (c)	360	—	—	17	7	26	10	"
BP (p)	240	2	—	5	10	—	—	"
BP (p)	320	19	11	—	—	—	—	"
CU (c)	120	7	—	23	2	26	—	135p
CU (c)	140	4	—	11	10	15	3	"
CU (c)	160	8	9	6	—	—	—	"
Cons. Gld (c)	420	84	—	94	1	—	—	499p
Cons. Gld (c)	460	50	2	65	1	82	—	"
Cons. Gld (c)	500	25	10	42	5	60	—	"
Cons. Gld (p)	550	7	56	19	1	27	—	"
Cons. Gld (p)	460	10	—	12	16	25	—	"
Ctlds. (c)	60	17	2	22	100	23	—	76p
Ctlds. (c)	70	8½	—	12½	103	15	—	"
Ctlds. (c)	80	3	6	6	10	9	55	"
GEC (c)	700	109	—	122	2	147	10	794p
GEC (c)	750	57	14	75	17	97	—	"
GEC (c)	800	23	27	43	6	57	10	"
GEC (c)	850	7	7	21	55	—	—	"
GEC (p)	750	15	6	30	—	35	—	"
GEC (p)	800	27	10	45	1	47	—	"
Gr'd Met. (c)	160	31	5	38	7	43	—	189p
Gr'd Met. (c)	180	14	5	20	12	30	—	"
Gr'd Met. (c)	200	5	16	11	8	19	—	"
Gr'd Met. (p)	160	4	8	7	—	11	—	"
Gr'd Met. (p)	200	19	17	25	—	27	—	"
ICI (c)	260	44	19	52	—	58	2	296p
ICI (c)	280	28	39	38	—	46	2	"
ICI (c)	300	13	6	24	29	34	2	"
ICI (p)	260	3	48	8	—	12	—	"
ICI (p)	300	13	15	20	—	24	—	"
Land Sec. (c)	288	31	11	—	—	—	—	312p
Land Sec. (c)	330	—	—	17	1	27	—	"
Mks. & Sp. (c)	120	13	—	18	1	22	—	128p
Mks. & Sp. (c)	130	7	15	12½	—	17	—	"
Shell (c)	360	56	2	64	—	76	—	408p
Shell (c)	390	30	25	40	1	54	—	"
Shell (c)	420	9	46	22	1	34	—	"
Shell (p)	390	8	1	19	10	22	—	"
		February		May		August		
Imperial (c)	60	16	60	16	5	17½	25	73p
Imperial (c)	70	8	273	8½	211	11½	9	"
Imperial (c)	80	3	15	—	—	—	—	"
Lasmo (c)	500	22	—	37	5	52	—	454p
Lasmo (c)	600	7	2	12	—	—	—	"
Lonrho (c)	80	7	5	9	15	10½	4	80p
Lonrho (c)	90	3½	12	4½	7	7	—	"
P & O (c)	120	13	10	18	10	22	—	123p
P & O (c)	150	8	1	12	—	17	—	"
Racal (c)	330	93	3	—	—	—	—	408p
Racal (c)	390	43	1	58	—	73	—	"
Racal (c)	420	23	23	38	2	55	3	"
Racal (p)	390	15	24	25	—	33	—	"
Racal (p)	420	28	1	38	1	45	—	"
Racal (p)	460	55	—	62	—	—	—	"
RTZ (c)	460	46	3	60	3	75	—	472p
RTZ (c)	500	28	6	42	11	55	—	"
RTZ (c)	550	15	7	20	—	—	—	"
RTZ (p)	500	32	25	37	—	42	—	"
Vaal Rfs (c)	70	4½	5	5¼	10	7	—	$67

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series	Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C $400	—	—	3	48 B	—	—	$418
GOLD C $475	60	4.50	4	14.60	—	—	"
GOLD P $375	6	4.50	—	—	—	—	"
GOLD P $400	28	12	—	—	—	—	"
GOLD P $425	6	20	23	26.50	—	—	"
GOLD P $450	1	34	2	42	—	—	"
12¾ NL 81 87-91							
C F.102.50	10	4.30	—	—	5	5.40	F.106.80
C F.105	5	2.40	—	—	—	—	"
C F.107.50	70	0.90	54	1.80	48	2	"
P F.105	70	1	—	—	—	—	"
12 NL 81 85-88							
C F.97.50	3	5.70	—	—	—	—	F.103.10
C F.100	—	—	40	4	—	—	"
C F.102.50	40	1.50	20	2	53	2.70	"
P F.100	30	0.50	—	—	—	—	"
P F.102.50	—	—	10	1.70	—	—	"
10¾ NL 80 86-95							
C F.95	10	5	—	—	—	—	F.97.50
C F.97.50	150	1	—	—	3	2.80	"
P F.92.50	—	—	—	—	30	1.10	"
P F.95	—	—	20	1.30	—	—	"
P F.97.50	60	1.10	75	2	—	—	"
	Jan.		April		July		
ABN C F.300	15	5	—	—	—	—	F.293.50
AKZO C F.22.50	73	1.20	—	—	—	—	F.25
AKZO C F.25	31	0.50	10	1.40	—	—	"
AKZO P F.22.50	40	0.60	—	—	—	—	"
HEIN C F.45	17	2	—	—	—	—	F.45.60
HOOG C F.17.50	—	—	150	1	20	1.60 A	F.15.80
IBM P $55	10	1⅞	—	—	—	—	$54⅝
IBM P $60	10	5¼	—	—	—	—	
KLM C F.90	147	11	25	15.50	—	—	F98.80
KLM C F.100	209	5.30 A	23	11	11	14	"
KLM C F.110	167	2.20	27	7	9	9.50	"
KLM C F.120	54	1.50	76	4.80	—	—	"
KLM C F.130	19	0.60	—	—	—	—	"
KLM P F.80	46	0.70	10	1.90	—	—	"
KLM P F.90	192	1.80 A	37	3.40	—	—	"
KLM P F.100	162	5.60 B	—	—	—	—	"
KLM P F.110	30	12	—	—	—	—	"
KLM P F.120	7	22 B	—	—	—	—	"
NEDL C F.140	35	8.70	—	—	—	—	F.145.60
NEDL C F.150	33	3.70A	—	—	—	—	"
NEDL P F.140	20	1.50	—	—	—	—	"
NATN C F.110	—	—	12	6.50	—	—	F.112.80
NATN C F.120	8	0.50	—	—	—	—	"
PHIL C F.17.50	—	—	10	3.50	—	—	F.20.60
PHIL C F.20	187	0.90	178	1.80	164	2.10	"
PHIL C F.22.50	15	0.40	487	0.90	350	1.10	"
PHIL C F.35	20	0.10	14	0.40	—	—	"
PHIL P F.30	35	0.80	—	—	10	1.50	"
RD C F.80	22	12	28	14.50	—	—	F.91.40
RD C F.90	419	4.40	87	7.70	29	8.60	"
RD C F.100	130	1.20	122	3.70	—	—	"
RD P F.80	214	0.30	22	1.70B	—	—	"
RD P F.90	155	2.50	28	3.40	—	—	"
RD P F.100	21	9	—	—	—	—	"
UNIL C F.150	20	5.30 A	—	—	—	—	F.152
UNIL P F.150	9	2.30	—	—	—	—	"
	Feb.		May		Aug.		
BASF C DM.140	—	—	10	9.50	—	—	DM138.90
MANN C DM.160	156	10	—	—	—	—	DM162.50
MANN C DM.170	—	—	10	5.50	—	—	"
SIEM C DM.220	—	—	10	8.50	—	—	DM212.50
SIEM C DM.340	—	—	20	3	—	—	"
VEBA C DM.130	10	8.60	—	—	—	—	DM136.80

TOTAL VOLUME IN CONTRACTS: 5674

A=Asked B=Bid C=Call P=Put

CORAL INDEX

Close 531-536 (+3)

OIL INDEX

January Refined $44.00

March Refined $43.40

THE TRING HALL USM INDEX

116.5 (+0.1)

close of business 7/12/81

BASE DATE 10/11/80 100

Tel: 01-638 1391

MINING NEWS

Inco to cut nickel output

BY GEORGE MILLING-STANLEY

CANADA'S Inco has announced further moves to shore up its position in the face of the continued weakness in the nickel market. The company is the world's biggest producer of the metal, demand for which has been hit by the sharp downturn in the world steel industry.

Inco's latest steps include four-week vacation shutdowns at the mining and processing operations at its big Sudbury division and Shebandowan, both in Ontario. These shutdowns are planned to start on July 5 next year.

A similar four-week shutdown, starting on July 19, is scheduled for the Port Colborne nickel refinery and research station, also in Ontario.

Apart from the vacation shutdown, operations at the Shebandowan mine and concentrator will be reduced from two shifts per day to one. This change should be completed by February 1 next year, and Inco said that the necessary cut in the workforce, involving some 55 employees, is expected to be achieved mainly by natural wastage.

In addition, there is to be an orderly reduction in operations at the Coleman mine in the *Sudbury division, with the result* that the mine will be on a standby basis by March 1, 1982. This rundown is to start immediately, and will affect about 190 workers, who will be transferred to other operations in the area.

Inco said it is considering *other measures, and further cuts* in production may be required.

The shutdown plans have apparently been discussed with the local trade unions. Most workers have enough vacation entitlement to cover the closure periods, and the others will be allowed to borrow against future entitlement, Inco said.

The company said the cuts were made necessary by the depressed state of the nickel market, and added that it must maintain a prudent balance between output and sales. No rapid improvement in world demand for nickel is forecast.

In line with the rest of the *nickel industry worldwide*, Inco is currently operating at about 70 per cent of capacity. The latest cutbacks are not likely to have any significant impact on overall output, as Coleman and Shebandowan each account for less than 5 per cent of the total production capacity of the Sudbury division.

The moves come just over a month after Inco announced a decision to mothball its **Exmibal** mining and processing operations in Guatemala, with a production capacity of 25m pounds of nickel a year, on the basis that they were unlikely to make a profit for perhaps the next four or five years.

ERP omits final payment

THE FALL in the gold price coupled with the heavy cost of the continuing modernisation and expansion programme has *resulted in South Africa's* veteran **East Rand Proprietary Mines** deciding not to pay a final dividend for 1981. This follows the sharply reduced interim of 50 cents (27p). A total of 370 cents was paid for 1980.

Durban Deep, the other veteran producer in the **Barlow Rand** group, is declaring a reduced final dividend of 100 cents. This makes a 1981 total *of 185 cents against 460 cents* for last year.

Blyvoor, which has heavy capital spending in hand, is cutting its interim for the year to next June to 100 cents from 160 cents. The 1980-81 final was 100 cents.

ROUND UP

AMERICA'S second biggest copper producer, **Phelps Dodge**, expects that fourth quarter *results will show* a small net profit thanks to some extraordinary items. As already announced, third quarter profits amounted to $2.6m (£1.3m), making $55.9m for the nine months compared with $62.4m

Mr George Munroe, the chairman, says that while copper prices have declined in real terms to their lowest levels for 50 years, reflecting the depressed state of many of the principal copper-using industries, reported copper stocks remain at low levels. He thus expects a strong rise in copper prices when the world economy begins again to move forward.

* * *

The Malaysian tin-producing **Pengkalen** says that its dredge now has only two to three months' profitable working life owing to the need to work the remaining reserves on a more selective basis. The Board is continuing its search for alternative mining prospects.

UK COMPANY NEWS

Geo. Bassett shows tenfold profit rise

THE ACTIONS taken during the *past 18 months to reduce costs* and to rationalise the group by selective divestments are reflected in a tenfold increase in pre-tax profits of **Geo. Bassett** ***Holdings***, *from a depressed* £141,000 to £1.14m for the 28 weeks to October 16, 1981.

As a result, the company, which makes confectionery, is *restoring the interim dividend*—after a one year absence — with a payment of 1p net per 25p share. The amount of the final (1.5p last time) will depend upon *the year's total profits*. Stated half-year earnings were up from 0.55p to 8.49p per share.

Although they say the company has achieved a considerable *recovery, the directors are aware* of the work still to be done before its rate of profitability can be regarded as satisfactory.

The company's rate of progress *is determined, not only by its* own efforts, but also by the economic environment in which it operates, they add.

Group turnover for the interim period rose from £34.56m to £37.77m. In the UK the sugar confectionery industry sales are now showing signs of stability and the company has maintained its own share of the home market. The directors say this performance stems from the introduction of new products, together with substantial TV advertising support for its major brands.

In the exports field, the company has increased volume sales against last year although the industry's sales continued to decline. Its share of total exports was therefore significantly increased.

Because of tight control of *working capital and some benefit* from the divestments made in the first half, interest charges for the period fell from £748,000 to £415,000.

Tax took £97,000 (£46,000) and after minorities, attributable profits climbed sharply from £69,000 to £1.03m. There were extraordinary debits of £155,000 (£394,000), being £86,000 (£164,000) from disposal of surplus capacity with the balance from disposal of subsidiaries.

● comment

Bassett's post-operative recovery has been admirably swift. After *slashing costs nearly a third over* the last 18 months, trading profits in the sweets division have now more than doubled. The slimmer speciality foods/leisure opera*tion has boosted sales by more* than 50 per cent in the half-way stage and should show fatter margins in the full year. Exports have zoomed to account for 26 *per cent of sales—double the* share at the year end. Margins have not moved up with this handsome increase, but market share in most countries has improved. *While* the UK market remains unexciting, the group is massaging brand loyalty with an advertising budget fattened by more than 30 per cent. Borrowings have been further reduced in the six months pushing capital gearing below 29 per cent. The shares took on 10p yesterday to hit 67p where they yield 5.4 per cent. Full-year profits should easily top £2m, which indicates an undemanding full-taxed p/e of around 8.

LRC advances to £3.83m midway

LOWER NET *interest charges* of £1.06m, compared with £1.71m, helped **LRC International** the home and healthcare products group, boost its first-half taxable profits by 12 per cent, from £3.42m to £3.83m.

Turnover for the period, to September 30 1981, edged ahead by 4 per cent to £59.55m (£57.35m), partly reflecting the policy to divest product lines outside the main business. Trading profits, however, emerged marginally down at £4.89m, against £5.13m.

Sir Edward Howard, the chairman, who describes the profit increase as a considerable achievement in the present economic conditions, points out that the reduction in interest costs reflects the lower level of borrowing arising from the rationalisation programmes which started two years ago.

He *says the group is now in a* position to concentrate on opportunities for growth, both from within, by expanding markets and developing new products, and also by acquisitions in its own field.

Commenting on the announcement in mid-November that manufacturing at Lydney would be phased out over the next two years and UK-based latex glove production would be consolidated at Chingford, Sir Edward says this is a further move in the group's reorganisation plan. Redundancies will result from the closure, but the chairman says costs had to be cut in order to meet increasing competition in this market.

The net interim dividend is a same-again 0.7p per 10p share—a final of 1.8p was paid for 1980-1981 from taxable profits of £7.03m.

● comment

Rationalisation at LRC is showing through more satisfactorily in the group's gearing than it is at the trading level. The 12 per cent improvement in interim pre-tax profits is fully accounted for by LRC's de-gearing over the last year; by the end of *September* there was nearly £10m less debt to service (at 1981 exchange rates). UK volume in the main product lines is generally rather depressed *although sheaths have* held steady, more or less. But the hot-water bottles of Haffenden-Richborough have had a much easier time, now that imports from the USSR have abated, and that division—which also contains a better showing from Duraplug — has put up the strongest performance in the group. The true contribution from North America is obscured by the re-capitalisation of LRC North America (adding about 50 per cent to North American trading profits) and the group policy on exchange risk (which has resulted in a first half loss of £0.5m as foreign currency operations were matched by depreciating foreign loans). On balance, LRC's progress is rather disappointing; last year's reductions of more than 20 per cent in the UK labour force might have been expected to result in higher trading profits, but they have yet to appear. Down 1½p to 44p, the shares yield 8¼ per cent. A prospective fully-taxed p/e of 10.4 is not asking a great deal, but not much is expected *of LRC in the near future*.

C. H. Industrials slides to £16,000 half way

THE LOSS of business from MG and TR7 sports car production has had a severe impact on the overall result for **CH Industrials** for the six months to September 30 1981. Pre-tax profits slumped from £135,000 to £16,000 on turnover down by £1.57m to £6.5m.

Although trading results will remain depressed during the second half the directors say that actions already taken should ensure a return to substantial profits next year. The financial position of the group remains strong and acquisitions will continue as planned. The interim dividend is held at 0.9075p.

In the last full year a total payment of 2.42p was made from pre-tax profits of £701,000 on turnover of £14.78m.

The automotive trim division was hit by the loss of sports car production. While performing satisfactorily the directors say, the synthetic foam division has suffered from difficult market conditions and severe price competition. This was partly offset by a sharp improvement in the building products, including Beaver paints, with results at record levels.

No property development profits were taken during the first half of the year in the property division.

Faced with a major contraction in the automotive trim division, outline plans have been completed to launch new products in the after-market for car accessories and car-care. These plans will be completed over the next 12 months.

In the synthetic foam division the directors are confident that business is on a sound footing and can take advantage of any upturn. The *building products* division continues to grow and will show a substantial rise in profits for the current year.

The property division has expanded in line with the policies explained last year. The division is engaged in six light industrial and warehousing developments totalling 250,000 sq ft with an estimated capital value of about £7m. These developments will realise development profits progressively over the next 18 months.

At the operating level profits slumped to £14,000 against £180,000 last time. The result includes a loss of £54,000 from Compra, which contributed £1m to group sales.

Associated profits emerged at a break-even £2,000, a sharp improvement on losses last time of £45,000. Associated companies include in the U.S., Aston Martin Lagonda and Aston Martin Lagonda Sales which became associates during the first half of 1981-82.

Attributable earnings emerged sharply lower at £23,000 compared with £90,000 last time, yielding stated earnings per share of 0.19p, down on 0.74p before. This was after minority interests contributed £7,000 (nil), relating to Audmore Properties, which became an 80 per cent owned subsidiary on April 5 1981.

There was no charge for taxation (£45,000).

● comment

A poor first half in its trim and synthetic foam divisions is the main reason behind the 88 per cent decline in the pre-tax profits of C. H. Industrials. The group has yet to succeed in offsetting the negative impact on its automotive trim division of the closures last year of the BL's MG and TR-7 production lines. Overall results were worse than expected because the TR-7 line was closed earlier than anticipated. The synthetic foam division has suffered from difficult market conditions and severe price competition. These factors have been partly offset by a continuing good performance in the building products division, with profits up by £½m over last year. The trading outlook for the second half is bleak and the forecast of a return to substantial profits next year is based on the assumption that the group's property division will realise development profits progressively over the next 18 months. The group is hoping to have at *least two of the six industrial* sites currently under development fully let over the next year. The company also plans to diversify its automotive trim division into the after-market for car accessories and car-care and a number of acquisitions in this field are planned. The shares eased 1p to 23½p yesterday. A maintained dividend would yield 16 per cent but cost nearly £300,000.

Alfred Preedy reduces losses at interim stage

FOR THE six months to September 26 1981, Alfred Preedy and *Sons, wholesale and retail* tobacconist, reduced its taxable losses from £344,000 to £214,000 on turnover 17 per cent higher at £38.73m, compared with £32.99m.

Mr S. L. Preedy, the chairman, says he expects to see an improvement in the full year *figures although the second half* is clouded by the uncertain level of retail sales for the "vital" Christmas period, and for January and February — months which were "surprisingly buoyant" in 1981.

The net interim is maintained at 0.75p—for 1980-81 a final of 2.75p was paid from pre-tax profits of £574,000 (£843,000).

At the operating level the group made a profit of £50,000 (£87,000 loss) but the surplus from the sale of freehold properties declined over the half year from £129,000 to £39,000. Interest charges were lower at £303,000 (£386,000) and there was again no tax charge.

Both the wholesale division and newsagent shops performed strongly and a valuable contribution was also made by the *specialist china and glass shops*.

In October the group was granted sole rights to distribute Ronson lighters, gas products and seeds to the trade throughout the UK. Significant contributions to profits are looked for from this source once the operation has been firmly established but the cost of initial working capital means no material impact on profits is anticipated in the current year.

Better trend at Kleen-e-ze

FOR THE first half year to October 7 1981 **Kleen-e-ze Holdings** has turned in a pre-tax profit of £63,639 and although this compares with £232,771 last time, it reflects the expected slight improvement over the previous six months' loss of £41,934.

The directors believe that the improvement will continue during the second six months. *First-half turnover of the company*, which makes energy saving devices, brushes and cleaning products, amounted to £5.83m (£5.7m).

Tax charge was down from £121,041 to £33,092. The interim dividend is maintained at 1.5p net per 25p share—last year the total was 5.5p on a taxable profit of £190,837.

Ellenroad Mill deficit down at six months

RADICAL restructuring has sharply reduced pre-tax losses at Ellenroad Mill, spinner of cotton and man-made fibres, for the six months to September 30 1981. The deficit has fallen from £139,393 to £23,323 on turnover *marginally* lower at £1.73m, against £1.84m previously.

The chairman states that the restructuring is nearly complete. Some of the expenses incurred were mitigated by the sale of surplus machinery for £46,290 (nil).

Since August, the chairman adds, the company has been operating profitably in a seasonally favourable period. He is reluctant to forecast results for the full year, but he is confident *of the company's earning power* when the economy recovers.

There is no interim dividend. The last payment was a final of 1.656p in 1979.

Pre-tax losses were struck after depreciation which held steady at £44,866, compared with £44,099, and interest charges much lower at £17,643, compared with £74,329 before.

Redundancy costs took less at £20,952 against £29,305 last time. There was a reduced credit for tax of £12,128 (£72,484) and attributable losses emerged much lower at £11,195 (£66,509).

Sumrie sees 'break-even' second half

A reduction from £176,000 to £137,000 in its pre-tax losses is reported by Sumrie Clothes, clothing manufacturer, for the six months to September 26 1981. Turnover was down from £1.77m to £1.26m. The pre-tax figure was struck after interest charges down from £59,000 to £6,000. There is again no tax charge.

The company is now returning to full production at its three *factories and this, with a reason*able forward order position, leads the board to believe that the trading results for the second half will be close to break-even.

A reduction in general stock levels was achieved during the first half, and this resulted in a substantial cut in bank borrowings and lower interest charges. The board says overhead costs have continued to be pruned, although the full benefits arising will not accrue until early 1982.

Edbro returns to profit and pays 2p

MEASURES taken to restore profitability and cut borrowings at **Edbro (Holdings)**, engineer, have been successful and for the half-year to September 30 1981 the group has turned in a pre-tax profit of £1.1m, against a £1.3m loss last time. Unless trading conditions worsen, *the directors* say second-half results should be similar.

In the last full year, the group made a pre-tax deficit of £3.88m (£1.24m profit) and paid no dividends. However, the directors are now paying an interim of 2p net from stated earnings per 28p *share of 12p*.

The first-half profit was struck after lower interest of £0.6m (£0.9m) and included this time windfall profits of £0.4m from the release of year-end stock provisions no longer required. Tax took £0.1m (nil).

The actions carried out by the *group included cutting costs*, ending unprofitable activities, raising prices, selling off surplus assets and reducing inventories.

Net borrowings have fallen from a peak £9.4m last December to £3.6m while gearing has improved sharply from 88 per cent to 39 per cent.

● comment

Edbro's return to profitability masks a sharp drop in volume. Despite raising prices by about 25 per cent earlier in the year sales were down 3 per cent from the corresponding period. The company has lost its market in North America as a result of combining the price increase with a policy of holding sterling export values. The company has continued to reduce its working capital, but redundancies are at an end. Property disposals include the selling of its old HQ in Manchester. Three other buildings *are up for sale, which should* bring in at least another £1m. Edbro also sold some minor businesses, notably Solid Waste Engineering. As a result of these measures, net borrowings have fallen 62 per cent from last December's peak, to £3.6m, and gearing is now out of the danger zone. This has encouraged the company to pay an interim of 2p, albeit 12 per cent lower than when last paid two years ago. Assuming a final of about 3p, the *share price, up 5p at 65p, yields* about 11½ per cent, an attractive figure, as it needs to be, with demand static at the collapsed levels of last year.

LINREAD

Mr A. H. Lynall, chairman and joint group managing director of Linread, told the AGM that it is anticipated the company will return to profitability in the first *half of the current year*.

Evered trims half-time loss to £202,000

After lower interest charges of £78,000, against £120,000, pre-tax losses of Evered and Co. Holdings, engineering concern, have been trimmed from £245,000 to £202,000 for the first half of 1981. Sales were reduced from £5.68m to £4.38m.

Following the omission of dividends last year, there is again no interim in 1981. Also the preference dividend due on December 31 1981 is not being paid.

There is no tax (£1,000 charge) and stated loss per 25p share decreased from 4.3p to 3.5p. An extraordinary debit this time took £130,000.

The directors say trading levels during the second half of this year to date have shown a marginal upturn overall, although increased interest rates have affected demand in the company's light engineering activities and slowed the rate of improvement seen at the time of the last AGM.

However, trading losses have continued to be reduced. The directors continue to make efforts to accelerate the improvement and to reduce the level of bank borrowings. They feel that provided there is no further deterioration in the UK economic situation, 1982 can be faced with confidence.

Castings drops to £194,030: holds interim

In the first six months to September 30 1981 pre-tax profits of malleable ironfounder Castings fell from £214,382 to £194,030 on lower turnover of £2.04m compared with £2.08m.

The interim dividend is being maintained at 0.42p; last year a total of 2.42p was paid out of taxable profits of £511,460. Earnings per share for the six months are given as 1.38p (1.52p).

The directors say that competition remains keen and the *home* market continues to show erratic demand. The half year figures were affected by heavy increased demands for general rates.

Tax took £100,900 (£111,500).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Alpine Soft Drinks, Birmingham Mint, Bristol Evening Post, Cable and Wireless, Coalite, Cray Electronics, Doornfontein Gold Mining, Driefontein Consolidated, Elliott Group of Peterborough, Globe Investment Trust, Imperial Continental Gas, International Timber, Kloof Gold Mining, Libanon Gold Mining, Linfood, Marling Industries, Montague L. Meyer, Mitchell Somers, Rolfe and Nolan, United British Securities, Venterspost Gold Mining, Ward and Goldstone.

Finals: *Archimedes Investment Trust*, Baggeridge Brick, Bass, Thomas Borthwick, Matthew Brown, Construction Holdings, Deelkraal Gold Mining, NSS Newsagents, Vlakfontein Gold Mining, Wolverhampton and Dudley Breweries.

FUTURE DATES

Interims—	
Bishop's Group	Dec 11
Brownlee	Dec 10
Chapman (Balham)	Dec 15
London Merchant Securities	Dec 15
Unigate	Dec 17
Whittington Estates	Dec 11
Finals—	
Associated Sprayers	Dec 11
Bluemel Bros.	Dec 16
Dobson Park Industries	Dec 14
Johnson and Firth Brown	Dec 11
Leech (William)	Dec 15
Lloyds Bank	Feb 19
Northchart Investments	Dec 11
Redfearn National Glass	Dec 15
Saatchi and Saatchi	Dec 10
Whessoe	Dec 17

MEMORIAL SERVICE

BENNETT — Memorial Service for Mr. Stephen F. Bennett, C.B.E., will be held at All Saints Church, Northampton, on Thursday, December 10, 1981, at 2.30 p.m.

Companies and Markets

CURRENCIES, MONEY and GOLD

£ & $ firm

Sterling maintained its firm trend in currency markets yesterday, helped mainly by comparatively high UK interest rates. Trading was rather quiet with little in the way of fresh factors to influence trading.

The dollar was mostly firmer compared with Friday's closing levels in London despite a fall in U.S. money supply figures announced on Friday and a slight fall in Euro-dollar rates.

European currencies showed little change within the European Monetary System yesterday. The Danish krone was again the most improved currency followed closely by the French franc. The D-mark maintained its position above the weakest currency, the Belgian franc and the Italian lira.

STERLING—trade weighted index (Bank of England) was unchanged at 91.9, having stood at 91.9 at noon and 91.8 in the morning. Against the dollar sterling opened at \$1.9460 and rose initially to \$1.9500 before coming back to \$1.9475 at noon. During the afternoon it touched a best level of \$1.9540 but late dollar demand saw sterling fall back to close at \$1.9350-1.9370, the wide spread reflecting very thin trading, and showing a loss of 60 points from Friday's close. Against the D-mark the pound rose to DM 4.3375 from DM 4.3250 and FFr 10.9250 from FFr 10.90 against the French franc. It was also higher against the Japanese yen at Y421 from Y420½ and SwFr 3.4950 from SwFr 3.4700.

DOLLAR — trade weighted index (Bank of England) rose to 105.8 from 105.5. The dollar tended to ease in very thin trading until the last half hour of trading in London when renewed demand pushed it near to its best level of the day at the close. Against the D-mark it finished at DM 2.2395 from DM 2.2260 and SwFr 1.8050 from SwFr 1.7875. It was also firmer against the yen at Y217.5 from Y216.40.

D-MARK—No longer weakest member of the European Monetary System having recovered recently after trading close to its divergence limit for several weeks. It has also improved against the dollar, reflecting a lower trend in U.S. interest rates and despite doubts over Germany's economic prospects—The D-mark showed little overall change at yesterday's fixing in Frankfurt with trading curtailed to some extent ahead of Christmas and the year end. The dollar was fixed at DM 2.2273 up from DM 2.2200 and the Bundesbank sold a nominal \$13m at the fixing. Sterling rose to DM 4.3400 from DM 4.3340 and the Swiss franc was higher at DM 1.2472 compared with DM 1.2455. Within the EMS the French franc rose to DM39.63 per FFr 100 from DM 39.625 while the Danish krone slipped to DM 30.92 per DKr 100 from DM 30.935.

JAPANESE YEN — Firmer against the dollar recently as U.S. interest rates have eased. The strength of the Japanese economy and speculation that the growing trade surplus will force the authorities to allow a steady appreciation of the yen, has encouraged a switch into the yen from the dollar and major European currencies—The yen was slightly weaker against the dollar yesterday. The U.S. unit rose to Y216.9 from an opening level of Y216.40 and Friday's close of Y215.80. The dollar touched a high point of Y217.0 but eased back slightly, showing little reaction to a slight fall in money supply announced on Friday.

THE POUND SPOT AND FORWARD

Dec 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9340-1.9640	1.9350-1.9370	0.50-0.40c pm	2.79	1.10-1.10 pm	2.17
Canada	2.2898-2.3080	2.2900-2.2920	0.45-0.55c dis	−2.62	0.90-1.10dis	−1.75
Nethlnd.	4.72½-4.76½	4.73-4.74	1⅝-1⅛c pm	3.80	4⅜-3⅝ pm	3.27
Belgium	73.70-74.20	73.90-74.00	13-23c dis	−2.92	54-64 dis	−3.19
Denmark	13.98-14.06	13.99-14.00	par-1½ore dis	−0.59	1 pm-¼ dis	−0.25
Ireland	1.2185-1.2270	1.2215-1.2230	0.29-0.41p dis	−3.44	1.04-1.25dis	−3.75
W. Ger.	4.33-4.38	4.33¼-4.34¼	1⅝-1¼pf pm	4.15	4⅝-4⅛ pm	4.03
Portugal	124.00-125.60	124.20-124.50	30-195c dis	−10.86	85-410 dis	−7.64
Spain	185.25-186.75	185.35-185.55	10-40c dis	−1.62	60-110 dis	−1.83
Italy	2,319-2,335	2,320-2,322	15-18lire dis	−8.53	43½-46½ dis	−7.76
Norway	11.02-11.16	11.02½-11.03½	9-11½ore dis	−10.95	4⅛-6¼ dis	−1.88
France	10.91-10.99	10.92-10.93	1⅛-2⅛c dis	−1.92	5½-6½ dis	−2.20
Sweden	10.59-10.69	10.59-10.60	2-1ore pm	1.70	5½-4½ pm	1.89
Japan	419-424	420½-421½	3.20-2.90y pm	8.69	8.35-8.05 pm	7.79
Austria	30.30-30.60	30.30-30.35	15-11gro pm	5.14	39-29 pm	4.48
Switz.	3.49-3.50	3.47-3.51	1⅜-1⅛c pm	4.72	4-3⅞ pm	4.29

Belgian rate is for convertible francs. Financial franc 82.50-82.60.
Six-month forward dollar 1.68-1.58c pm. 12-month 1.90-1.70c pm.

THE DOLLAR SPOT AND FORWARD

Dec 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9340-1.9540	1.9350-1.9370	0.50-0.40c pm	2.79	1.10-1.00 pm	2.17
Ireland†	1.5870-1.5980	1.5870-1.5900	0.90-0.80c pm	6.40	2.45-2.25 pm	5.90
Canada	1.1787-1.1837	1.1834-1.1837	0.49-0.52c dis	−5.22	1.10-1.14dis	−3.79
Nethlnd.	2.4340-2.4440	2.4420-2.4440	0.26-0.16c pm	1.03	0.75-0.65 pm	1.15
Belgium	37.90-38.23	38.21-38.23	12-16c dis	−4.42	43-48 dis	−4.79
Denmark	7.1975-7.2300	7.2200-7.2300	1.70-1.95ore dis	−3.04	3.60-4.10dis	−2.13
W. Ger.	2.2260-2.2420	2.2390-2.2400	0.30-0.25pf pm	1.47	1.10-1.05 pm	1.92
Portugal	64.10-64.40	64.10-64.35	30-110c dis	−13.08	70-240 dis	−9.65
Spain	95.55-95.80	95.60-95.65	28-38c dis	−4.14	85-110 dis	−4.08
Italy	1,195-1,199	1,198-1,199	10-12lire dis	−11.03	29-31 dis	−10.03
Norway	5.6940-5.7160	5.6975-5.7025	5¾-6ore dis	−11.85	6½-7¼ dis	−4.83
France	5.6200-5.6475	5.6425-5.6475	1.95-2.15c dis	−4.37	5.90-6.30dis	−4.33
Sweden	5.4665-5.4770	5.4700-5.4730	0.40-0.55ore dis	−1.04	0.30-0.45dis	−0.27
Japan	215.75-217.75	217.45-217.55	1.15-1.00y pm	5.93	3.10 2.95 pm	5.56
Austria	15.63-15.68	15.65-15.66	4¼-2¾gro pm	2.68	11¾-7¼ pm	2.36
Switz.	1.7850-1.8060	1.8045-1.8065	0.45-0.37c pm	2.72	1.16-1.08 pm	2.48

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Dec. 4	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.9	−32.3
U.S. dollar	105.8	−0.2
Canadian dollar	88.4	−16.2
Austrian schilling	117.2	+24.6
Belgian franc	104.8	+7.5
Danish kroner	87.9	−9.7
Deutsche mark	122.5	+43.2
Swiss franc	153.3	+103.4
Guilder	115.3	+20.4
French franc	81.3	−14.0
Lira	55.4	−57.6
Yen	146.6	+40.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.602394	0.565196
U.S. $	12	1.17497	1.10354
Canadian $	15.31	1.38411	1.30055
Austria Sch.	6¾	18.3178	17.2153
Belgian F.	13	44.3904	41.6864
Danish Kr.	11	8.43041	7.91517
D mark	7½	2.60843	2.44876
Guilder	9	2.85224	2.67885
French Fr.	9½	6.58159	6.17985
Lira	19	unavail.	1315.42
Yen	6¼	252.854	238.256
Norwgn. Kr.	9	6.71730	6.28965
Spanish Pts.	8	112.127	105.278
Swedish Kr.	11	6.41534	6.02480
Swiss Fr.	6	2.09556	1.96596
Greek Dr'ch.	20½	—	61.9254

OTHER CURRENCIES

Dec. 7	£	$		£ Note Rates
Argentina Peso	13,417-13,437†	6876-6896†	Austria	30.30-30.60
Australia Dollar	1.6975 1.6995	0.8745-0.8750	Belgium	82-83
Brazil Cruzeiro	235.14-235.14	122.59-123.20	Denmark	14.01-14.13
Finland Markka	8.334-8.360	4.3185-4.3205	France	10.94-11.05
Greek Drachma	107.355-110.641	56.20-56.40	Germany	4.32-4.36
Hong Kong Dollar	10.828-10.838	5.5675-5.5725	Italy	2501-2540
Iran Rial	152.50*	77.90*	Japan	422-427
Kuwait Dinar (KD)	0.542-0.548	0.2800-0.2803	Netherlands	4.73½-4.77½
Luxembourg Fr.	73.90-74.00	38.21-38.23	Norway	11.08-11.20
Malaysia Dollar	4.3540-4.3640	2.2390-2.2420	Portugal	124-132
New Zealand Dlr.	2.3160-2.3200	1.1940-1.1950	Spain	184½-195½
Saudi Arab. Riyal	6.62-6.68	3.4190-3.4210	Sweden	10.63-10.73
Singapore Dollar	3.9760-3.9860	2.0445-2.0475	Switzerland	3.47¾-3.51¾
Sth. African Rand	1.8730-1.8750	0.9675-0.9685	United States	1.94-1.96
U.A.E. Dirham	7.11-7.17	3.6710-3.6740	Yugoslavia	87-93

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 21,488-12,508 and for the dollar 11.000-11.050. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.7072	+2.33	+1.32	±1.5368
Danish Krone	7.91117	7.91976	+0.11	−0.90	±1.6412
German D-Mark	2.40989	2.45042	+1.68	+0.67	±1.1077
French Franc	6.17443	6.18481	+0.16	−0.85	±1.3733
Dutch Guilder	2.66382	2.67881	+0.56	−0.45	±1.5063
Irish Punt	0.684452	0.690477	+0.88	−0.13	±1.6688
Italian Lira	1300.67	1314.83	+1.09	+0.83	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for December 7 .... 0.583745

EXCHANGE CROSS RATES

Dec. 7	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.936	4.338	421.0	10.925	3.495	4.736	2321.	2.291	73.95
U.S. Dollar	0.517	1.	2.240	217.5	5.643	1.805	2.446	1199.	1.183	38.20
Deutschemark	0.231	0.446	1.	97.05	2.519	0.806	1.092	535.1	0.528	17.05
Japanese Yen 1,000	2.375	4.599	10.30	1000.	25.95	8.302	11.25	5513.	5.442	175.7
French Franc 10	0.915	1.772	3.970	385.4	10.	3.199	4.334	2124.	2.097	67.69
Swiss Franc	0.286	0.554	1.241	120.5	3.126	1.	1.355	664.1	0.656	21.16
Dutch Guilder	0.211	0.409	0.916	88.91	2.307	0.738	1.	490.2	0.484	15.62
Italian Lira 1,000	0.431	0.834	1.869	181.4	4.707	1.506	2.040	1000.	0.987	31.86
Canadian Dollar	0.436	0.845	1.893	183.8	4.769	1.526	2.067	1013.	1.	32.28
Belgian Franc 100	1.352	2.618	5.865	569.3	14.77	4.726	6.403	3139.	3.098	100

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 7)

3 months U.S. dollars		6 months U.S. dollars	
bid 12 1/8	offer 12 1/4	bid 12 5/8	offer 12 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 7	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14⅝-14⅞	11⅛-11¾	16-17	11⅛-11¼	6-6½	10 7/16-10 9/16	15⅛-15⅝	18½-20½	12-13	5⅝-5⅞
7 days' notice	14¾-14⅞	11⅝-11⅞	16-17	11⅛-11¼	5½-6	10 7/16-10 9/16	15⅛-15⅝	20-22½	13½-15¾	6¼-6⅝
Month	14 11/16-14 13/16	11⅞-12⅛	16⅜-16⅝	11 7/16-11 9/16	9 7/16-9 9/16	10 7/16-10 9/16	15¾-16¼	22⅝-23⅜	15¼-16⅞	6 7/16-6 9/16
Three months	14¾-14⅞	12⅛-12⅜	16-16⅜	11 7/16-11 9/16	9½-9⅝	10 7/16-10 9/16	16⅝-16⅞	22⅝-23⅜	17⅛-17¾	6⅜-6⅝
Six months	14⅝-14¾	12⅝-12⅞	15½-15⅞	11 7/16-11 9/16	9¼-9⅜	10 5/16-10 7/16	17⅜-17⅞	22⅝-23⅜	17⅝-18⅛	6 7/16-6 9/16
One Year	14½-14⅝	13⅛-13⅜	15¾-16⅛	11 7/16-11 9/16	8 7/16-8 9/16	9⅞-10	17¾-18¼	22¾-23¾	16⅝-17⅛	6 11/16-6 13/16

SDR linked deposits: one month 11¾-12 per cent; three months 11¾-12⅛ per cent; six months 12-12⅜ per cent; one year 12¼-12⅝ per cent.
ECU linked deposits: one month 13 13/16-14 3/16 per cent; three months 13⅞-14¼ per cent; six months 14-14⅜ per cent; one year 14-14⅜ per cent.
Asian \$ (closing rates in Singapore): one month 11 15/16-12 3/16 per cent; three months 12 5/16-12 7/16 per cent; six months 12⅝-12¾ per cent; one year 13 1/16-13 5/16 per cent. Long-term Eurodollar two years 14⅛-14⅜ per cent; three years 14⅜-14⅝ per cent; four years 14¾-15 per cent; five years 14⅞-15⅛ per cent nominal closing rates.
The following nominal rates were quoted for London dollar certificates of deposit: one month 11.65-11.75 per cent; three months 11.70-11.80 per cent; six months 12.40-12.50 per cent; one year 12.85-12.95 per cent.

MONEY MARKETS

London rates steady

London clearing bank base lending rates 14½ per cent (since December 4)

Short-term interest rates showed little change in London yesterday. In the interbank market seven-day money was unchanged at 14¾-15 per cent, and three-month funds were steady at 14¾-14⅞ per cent. Overnight loans moved through a wide range, but this reflected distortions in the market during late trading, with most business conducted within a range of 14-14⅞ per cent.

Call money opened at 14¾-14⅞ per cent, and touched 15⅛-15¼ per cent on the forecast shortage of funds by the Bank of England, which was above market expectations. By noon funds were quoted at 14¾-14⅞ per cent, and eased to 14-14¼ per cent in the afternoon, before rising to a peak of 18 per cent on indications that the authorities may have not given enough help to the market. When it became clear that the discount houses were not short of funds, and had squared their books before the late jump in the rate, money became freely available however, closing at 2-4 per cent.

Discount houses had a fairly comfortable day, despite the large shortage of funds, finding day-to-day money at a level of 13¾-14½ per cent.

In the morning the Bank of England forecast a shortage of around £450m, and this was amended to £350m at noon, but the assistance given to the market totalled only £306m. The major factors were expected to be: bills maturing in official hands —£310m, and Exchequer transactions —£115m.

Before lunch the authorities gave assistance of £246m, through purchases of £1m bank bills in band 1 (up to 14 days maturity) at 14⅞ per cent; £2m local authority bills in band 2 (15-33 days maturity) at 14½ per cent; £157m bank bills in band 2 at 14½ per cent; £1m Treasury bills in band 3 (34-63 days maturity) at 14½ per cent; and £85m bank bills in band 3 at 14½ per cent.

In the afternoon additional operations of £60m were undertaken by way of £4m bank bills in band 1 at 14⅞ per cent; £25m bank bills in band 2 at 14½ per cent; £15m local authority bills in band 3 at 14½ per cent; and £16m bank bills in band 3 at 14½ per cent.

In Europe interest rates showed a slightly easier trend, with call money falling in Paris and Amsterdam. The Bank of France money market intervention rate was unchanged at 15⅛ per cent. The French central bank bought first category paper at the same level as on Friday, when the rate was cut from 15¼ per cent.

In Tokyo call money declined in expectation of a reduction in the Bank of Japan's discount rate in the near future.

GOLD

Weaker trend

Gold fell \$9 an ounce from Friday's close in the London bullion market yesterday to close at \$416-417. The metal opened at \$418½-419½ and was fixed at \$417.25 during the morning and \$416.75 in the afternoon. Trading was extremely quiet in the absence of any fresh factors, with profit taking accounting for the softer trend.

In Paris the 12½ kilo bar was fixed at FFr 76,300 per kilo (\$422.00 per ounce) in the afternoon compared with FFr 76,300 (\$421.70) in the morning and FFr 76,500 (\$424.77) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 30,010 per kilo (\$419.01 per ounce) against DM 30,355 (\$425.01) and closed at \$415¾-416¾ from \$425-426.

In Luxembourg the dollar per ounce equivalent of the fixing level was \$418.0.

In Zurich gold finished at \$416-419 compared with \$425-428.

	Dec. 7		Dec. 4	
Gold Bullion (fine ounce)				
Close	\$416-417	(£214-214½)	\$425-426	(£219-219½)
Opening	\$418½-419½	(£215-215½)	\$423-424	(£217¼-217¾)
Morning fixing	\$417.25	(£214.007)	\$423.50	(£217.055)
Afternoon fixing	\$416.75	(£213.861)	\$425	(£218.125)
Gold Coins				
Krugerrand	\$429-430	(£221-221½)	\$439-440	(£225¾-226¼)
1/2 Krugerrand	\$221-222	(£113¾-114¼)	\$225¾-226¾	(£116¼-116¾)
1/4 Krugerrand	\$112-115	(£57¾-58¼)	\$115-116	(£59-59½)
1/10 Krugerrand	\$46-47	(£23¾-24¼)	\$47-48	(£24-24½)
Mapleleaf	\$430-431	(£221½-222)	\$439-440	(£225¾-226¼)
New Sovereigns	\$101¾-102¼	(£52½-52¾)	\$104-104½	(£53½-53¾)
King Sovereigns	\$115-116	(£59-59½)	\$117-118	(£60-60½)
Victoria Sovs	\$115-116	(£59-59½)	\$117-118	(£60-60½)
French 20s	\$96-106	(£49½-54½)	\$105-115	(£54-59)
50 pesos Mexico	\$514-517	(£264¾-266½)	\$524-528	(£269½-271½)
100 Cor. Austria	\$403-407	(£207¾-209¾)	\$412-415	(£212-214)
\$20 Eagles	\$506-511	(£260¾-263¼)	\$512-517	(£263¼-266)

MONEY RATES

NEW YORK

Prime rate	15½-15¾
Fed. funds	11⅞-12⅛
Treasury bills (13-week)	9.98
Treasury bills (26-week)	10.55

GERMANY

Special Lombard	10.50
Overnight rate	10.55
One month	10.70
Three months	10.55
Six months	10.275

FRANCE

Intervention rate	15.125
Overnight rate	15.5
One month	15.3125
Three months	15.3125
Six months	15.3125

JAPAN

Discount rate	6.25
Call (unconditional)	7.15625
Bill discount (three-month)	7.15625

LONDON MONEY RATES

Dec. 7 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	2-18	14¾-15	—	—	14⅞-15¼	13½-14½	—	—	—
2 days notice	—	—	14⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¾-15	14¾	—	—	15-15¼	14⅜-14⅝	—	—	—
One month	14⅞-14 11/16	14 11/16-14⅞	14¾	15-14¾	14⅞	15-15¼	14¼-14½	14 9/32-14 11/32	14⅜-14 11/32	15⅛
Two months	14 11/16-14 13/16	14 11/16-14⅞	—	15-14⅝	14⅞	15-15¼	14-14⅛	14⅛	14 7/32-14 9/32	14⅞
Three months	14¾-14⅝	14¾-14⅞	14¾	15-14⅝	14⅞	15-15¼	13⅞	13¾-13⅞	14	14⅝
Six months	14½-14⅝	14½-14⅝	14½	14¾-14	14⅝	14¾	—	—	13⅛	14⅛
Nine months	14⅝-14¼	14 7/16-14⅝	—	14⅝-14¼	14⅝	14¾	—	—	—	—
One year	14⅝-14 7/16	14⅝-14 7/16	14½	14⅝-14¼	14⅝	14 11/16	—	—	—	—
Two years	—	—	14⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14⅜ per cent; four years 14⅞ per cent; five years 14⅞ per cent ΦBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 29/32 per cent; four months trade bills 14½ per cent.

Approximate selling rate for one month Treasury bills 14 9/32-14 5/16 per cent; two months 14 per cent; three months 13 13/16-13⅞ per cent. Approximate selling rate for one month's bank bills 14 7/32-14 11/32 per cent; two months 14 3/32-14⅛ per cent; and three months 13 13/16 per cent; one month trade bills 14⅞ per cent; two months 14⅝ per cent; three months 14½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association). 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 12¼-12½ per cent. Clearing Bank Rates for lending 14½ per cent. Treasury Bills: Average tender rate of discount 13.7583 per cent.

APPOINTMENTS

Changes at Bath and Portland

Sir Kenneth Selby, chairman of THE BATH AND PORTLAND GROUP is relinquishing his executive duties. Mr J. A. G. Clarke has been appointed group chief executive and will, in addition, continue as chairman of the construction division.

Mr G. R. A. Metcalfe (agriculture and engineering), Mr R. H. Morray-Jones (minerals) and Mr L. R. Pullen (measurement and control) have been appointed chairmen of the group's divisional activities.

Sir Kenneth continues as non-executive chairman.

*

Mr Nigel F. Swiffen (former chairman and chief executive of Burnett and Hallamshire Holdings), Mr Richard M. Strong and Mr Stephen S. Clarke (both directors of Charterhouse Development) have been appointed to the board of civil engineers, P. J. BURKE following Charterhouse's investment in the company.

*

Mr John Graham has retired from the LONDON & GENERAL COMMERCIAL AGENCY.

*

Two men have returned to RAE FARNBOROUGH, where they spent an earlier part of their Civil Service career, to become deputy directors. Dr Derek Dawton becomes deputy director (weapons) and Mr Peter Whicher deputy director (equipment).

*

Following the formation of CRODA GRAPHIC SUPPLIES as a separate division within Croda Polymers International, the company has announced the composition of its board as from January 1: Mr G. R. Hembrough, chairman, Mr M. A. Gilby, director in charge, Mr D. E. McRae and Dr D. Neil. At the same time Mr Maurice Gilby will be appointed to the board of Croda Polymers International.

*

Mr S. T. Graham, a director and group chief executive, Midland Bank, is to succeed Mr J. B. Newland as chairman of NORTHERN BANK, as from April 6, when Mr Newland will retire from the boards of Northern Bank and Midland Bank. Mr Graham retires as group chief executive, Midland Bank, on April 30, but remains a director.

*

TELEFUSION states that Mr C. A. Nuttall has retired as an executive director and deputy chairman of the company and its subsidiaries. He becomes part-time consultant. Mr Peter Taylor who has been an executive director since 1964, becomes deputy chairman.

*

Mr Kenneth Redfern has been appointed general manager for the UK of the COLONIAL MUTUAL LIFE ASSURANCE SOCIETY following the retirement of Mr Richard Durden.

*

Mr Ken Hawkins has been appointed sales and marketing director for FREIGHT COMPUTER SERVICES, computer arm of the National Freight Company.

*

Mr Robert Phillipson, director of the British Road Federation, has been appointed director general designate of a new organisation being formed to co-ordinate the aggregates, black top and ready-mix concrete industries. He will take up his appointment from January 1. The new organisation has the support of the members of the Asphalt and Coated Macadam Association and British Quarrying and Slag Federation

*

THE CHASE MANHATTAN BANK has appointed senior vice-president Mr Dennis C. Longwell to general manager of its London branch. He succeeds senior vice-president Mr Frank R. Reilly, who returns to New York as executive, administrative services.

*

The British Banker's Association has appointed Mr D. B. Willis to the Council of FOREIGN BONDHOLDERS for the remainder of Mr G. E. Hall's term of office, expiring in May 1984. Mr Willis is the manager, nominee companies section, stock office services, of the National Westminser Bank. The Council has itself appointed Mr Hall to membership for the period ending in May 1984.

OVERSEAS

● Mr Thomas B. Roller has been named vice-president for business planning and development for the European operations division of UNITED TECHNOLOGIES AUTOMOTIVE GROUP, based at division headquarters in Lausanne, Switzerland. He was previously director of business planning and development for Rockwell International Corporation based in London.

● FOREMARK CORPORATION has appointed Mr Timothy S. Morton as assistant vice-president and director of the newly-created department of research and new product development.

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations | US\$46.64 | +0.51 | 1.76

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey. 0481-26648.
L.J. Sterling Fund | £14.03 | 14.08 | +0.02 | —
For Keng-Gee see Scrimgeour Kemp-Gee.
For Keyser Ullman see Consol Assets Management.

Save & Prosper International
Dealing to
P.O. Box 73, St. Helier, Jersey 0534 73933

Eurotax Investments Ltd.
1, Athol St., Douglas, Isle of Man.
UK Agents FIS, St. Albans. 0727 33166

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741

INTERNATIONAL COMPANIES and FINANCE

McLouth Steel in $166m default

By Ian Hargreaves in New York

McCLOUTH STEEL, the tenth largest steelmaker in the U.S. was yesterday declared to be in default on $166m of debt. The Detroit company, whose main customer is General Motors, said it was negotiating with its bank and insurance company lenders and with unnamed third parties to prevent the default leading to an acceleration of debt repayments.

The company's main secured lenders are the Prudential and Metropolitan Life insurance companies. Its lead bank is the National Bank of Detroit.

McLouth said the default had been called because losses in the last seven quarters had reduced its tangible net worth to $103.1m at the end of October, which is $4.4m less than required by its loan and security agreements.

McLouth's problems have been building up for a long time and were only postponed during the summer when the company sold for $23.5m its stainless steel division to Jones and Laughlin, the steel subsidiary of LTV.

McLouth lost $55m last year on sales of $614m and is expected to record a loss in excess of $35m this year.

Mr Alan Kurland, a steel analyst with Laidlaw Adams and Peck, the securities group, said that apart from its heavy reliance upon the ailing motor industry, McLouth had suffered because of its extensive commitment to electric arc furnace steel-making, which uses scrap as its main raw material, and which had been subject to rapid inflation in electricity costs.

McLouth employs about 5,000 people. At the end of the third quarter it had long term debt of $155m. About $35m of debt is due to be repaid next April.

Firestone Tire doing better

AKRON—Firestone Tire and Rubber's concentration on its troubled North American Tire division appears to be paying off. In spite of the worsening recession the unit had an encouraging fourth quarter, according to Mr John J. Nevin, chairman and president.

North American Tire's operating profit in the quarter jumped to $45m compared with a loss a year earlier. For the fiscal year to October 31, the group had an operating profit of $110m, in contrast to a fiscal 1980 loss of $55m excluding plant closure charges.

AP-DJ

Mobil links with Amerada Hess in Marathon Battle

DAVID LASCELLES and PAUL BETTS in New York look at the latest twist in the fight for the 17th largest U.S. oil group

MOBIL yesterday struck a deal with Amerada Hess, another large oil company, aimed at getting round the anti-trust objections to its multibillion dollar takeover bid for Marathon Oil.

As widely predicted, Mobil has agreed to sell Amerada Hess all of Marathon Oil's downstream facilities—refining, marketing and transportation—once the takeover goes through. Mobil would keep Marathon's oil and gas producing properties, on which it has had its eye all along.

The point of this arrangement is that it could resolve the anti-trust obstacle posed by Mobil's already considerable presence in the downstream oil business. It has a substantial refining and retailing operation, and opponents of its bid for Marathon argue that a Mobil-Marathon combination would give the company a dangerously large share of the downstream market.

The judge in one of the two court cases to which the bid has already given rise, cited the possible anti-trust problem when he barred Mobil last week from buying any more Marathon stock. There was no immediate reaction by the judge yesterday to the Amerada Hess deal, and it was not clear what the next legal step would be.

Mobil would not reveal the terms of the proposed deal with AmeradaHess, which is the 19th largest U.S. oil company and has a reputation for secretiveness. Amerada pledged, however, to maintain sales to Marathon's existing suppliers and to keep Marathon's headquarters in Findlay, Ohio.

The agreement is a last ditch attempt by Mobil to stay in the race as before the deal was announced yesterday, the odds had become heavily stacked in favour of U.S. Steel, which is offering $6.4bn, or marginally less than Mobil's current $6.5bn.

By yesterday, Marathon shareholders had tendered more than 50 per cent of the stock to U.S. Steel. Although offering a little less for their shares, U.S. Steel's bid was cleared by the U.S. anti-trust authorities at the weekend.

The only thing in U.S. Steel's way is no wa temporary injunction blocking the steelmaker from buying Marathon shares as a result of a law suit filed by Mobil against two options Marathon granted the steel company. One of these options would enable U.S. Steel to acquire for $2.8bn Marathon's most prized asset, its interest in the oil rich Yates' field in Texas, even if its bid is unsuccessful.

Mobil has charged that this key option is illegal and not in the best interests of Marathon shareholders.

A ruling on this is expected in the next 48 hours. Should the ruling go in U.S. Steel's favour it would be able to start buying Marathon shares next week.

Mobil, however, is still struggling to overcome a number of serious legal obstacles involving anti-trust claims.

As well as appealing against a Federal Court injunction barring it from acquiring Marathon shares, Mobil will only know on Thursday whether the Federal Trade Commission, which is reviewing for the Government the anti-trust aspects of its bid, will clear its proposed merger.

In these circumstances the prop to its bid provided by Hess is all important by breathing life back into its bid.

Whether the agreement will do the trick of resolving Mobil's problems is questionable as it is still not clear how long it will take the courts and the anti-trust authorities to review these new proposals.

At the same time, Wall Street regards the agreement as only a partial solution to Mobil's problem. To persuade Marathon shareholders to withdraw their shares from U.S. Steel's offer and back into Mobil's, Wall Street feels the giant oil company will have to follow up the agreement with Hess with a higher bid.

U.S. Steel is currently offering $125 a share for 51 per cent of Marathon in the cash portion of its offer, while Mobil is offering at $126 a share for 51 per cent.

There was general agreement yesterday that the Amerada Hess deal was likely to be only the first stage of a new Mobil offensive. But as an initial step, the agreement makes considerable sense for both Mobil and Amerada Hess.

Mobil has always been aiming for the oil and gas production interests of Marathon as for years it has been trying to build up its dwindling U.S. oil and gas reserves by both aggressive exploration and acquisition. Marathon's oil reserves would give Mobil the oil and gas reserves "safety net" it has been seeking.

At the same time, Mobil already has large refining and marketing assets which in the current soft market it does not really want to expand.

The agreement is attractive for other reasons to Amerada Hess. The main assets of the oil company is a vast 700,000 barrels a day refinery, the world's largest, at St Croix in the U.S. Virgin Islands. The refinery has been performing disappointingly because of the softness of the U.S. market for its main product, residual fuel oil used for electric generation and heating. Demand for this fuel has dropped 30 per cent over the past three years in the U.S.

Amerada has been attempting to upgrade this refinery with a $300m capital spending programme, but by acquiring Marathon's downstream operations, it would land with a 225,000 b/d refinery in Louisina which was recently upgraded and can process cheaper, high sulphur crude into unleaded petrol. It would also get two other refineries, one in Illinois and one in Texas, the latter having been profitable despite current market conditions.

Hess would also gain access to new marketing areas in the mid-west. All of this, presumably, would come at an attractive price. Marathon's downstream assets are believed to have a book value of about $1.4bn.

Amerada Hess and Mobil are also old friends—at least Mr Leon Hess, its founder, is a pal of Mr William Tavoulareas, Mobil's highly combatitive president. That Mr Hess runs his company as a one man show is understood to have prompted Mobil to turn to Amerada Hess as a company in a position to make a quick decision.

Moreover, Amerada Hess is already involved in joint exploration activities with Mobil and Marathon.

Amerada Hess, now has sales of nearly $10bn but has remained something of an odd man out in the U.S. oil company league. Mr Hess does not believe in publicity and his corporation is one of the few not to have a public relations department. His, to all intents, is the most silent and secret of the big U.S. oil companies.

Because of his heavy reliance on refining, Amerada Hess has had a disappointing year so far. For the first nine months profits dropped from $433.6m to $164.3m on increased revenues of $7.1bn from $5.7bn.

For Mobil, Mr Hess could well be its fairy godmother, although the odds at this stage are still heavily tilted towards U.S. Steel.

Ireland to raise $300m Eurocredit

By Our Euromarkets Correspondent

IRELAND IS raising a $300m 10-year credit, the largest single deal it has arranged in the Euromarkets so far this year.

Terms of the credit include the traditional low margin to which Ireland has now become accustomed. Interest will be paid at a spread of ⅜ per cent above London Eurodollar rates for the first five years, rising to ½ per cent for the next five.

But the credit is unusual insofar as it is being arranged on a more open basis than usual for Ireland, which normally concentrates on unpublicised bilateral or limited club loans from international banks.

The seven lead managers—Allied Irish, Bank of Ireland, Bank of Tokyo, Industrial Bank of Japan, Mitsubishi, Orion Royal and Société General de Banque—intend to offer participations in the deal to a limited number of other banks, although the final structure of the credit could still emerge as a club, in which the fees are shared out equally between all participants.

Ireland has just arranged a £120m sterling syndicated credit led by National Westminster, but its activity in the market at the moment does not mean that it is having to scramble to complete its 1981 borrowing programme.

Both the sterling deal and the current $300m credit are intended to cover next year's requirements, this year's needs having already been completed.

Sources in Dublin said that there was no special significance in the apparent change of strategy in regard to the dollar credit with its greater degree of publicity and broader approach to the market.

The Irish Government was understood to feel that the offer from the lead managers to arrange a credit on these terms was one it simply could not refuse. There are no indications that traditional bilateral sources of funds are drying up.

Sudan move on debt interest payments

By Quentin Peel, Africa Editor

THE SUDAN government is asking its commercial bank creditors to reschedule debt interest payments totalling some $80bn in the form of a three-year loan, in return for deferring new borrowing of some $75m until the second quarter of 1982.

The new deal, which has been drawn up by Morgan Grenfell, the British merchant bank, has been circulated to all banks, involved, and is due to be signed by the end of the year.

The $80m consists of interest payments falling due between July 1 1980 and June 30 1981, which Sudan was supposed to pay currently, according to its previous agreement with its creditors, who include Citibank, UBAF, Arab African Bank, Chemical Bank and Deutsche Bank.

Sudan, which agreed a one-year standby credit with the International Monetary Fund in October totalling SDR 198m (£124m), has now promised to keep up with interest payments now falling due. It has agreed to pay off immediately some $5m of interest payments which were overdue at December 31 1979—originally rolled up in a three-year loan under the previous agreement.

The other element of that agreement, the down payment of 40 per cent of interest due in the first six months of 1980, and rolling over of 60 per cent for three years, still holds.

The Sudan Government must concentrate on negotiations with the Paris Club to reschedule institutional debts once the commercial bank rescheduling is agreed. President Numairi has already been forced to agree to stringent economic conditions by the IMF, including a devaluation of the Sudanese pound, and the reduction of subsidies on fuel, wheat and sugar.

Good half-year at H. J. Heinz

By Our Financial Staff

EARNINGS HAVE risen sharply in the first half-year at H. J. Heinz, the food group, and Mr Tony O'Reilly, president and chief executive, says the results are "a strong start towards achievement of favourable results for the full fiscal year."

Six months earnings were $90.5m or $1.93 a share, a gain of 15 per cent on corresponding 1980 returns. But the 1981 total takes in $12.6m in currency losses against $4m in currency gains last time. Sales have risen from $1.73bn to $1.82bn. Earnings for the whole of the previous year were $3.62 adjusted.

France woos U.S. banks on loans for state agencies

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

FRANCE IS trying to persuade U.S. banks to resume lending to its State agencies by offering them syndicated credits priced over the expensive U.S. prime rate.

Its State-owned construction finance concern, Credit Foncier, has awarded an exploratory mandate to Banque Nationale de Paris and Manufacturers Hanover to test the market with a $200m, eight year multicurrency credit containing a prime element in its pricing.

At the option of the borrower the funds could be drawn at a margin of ⅜ per cent over prime for the first four years, rising to ½ per cent thereafter. Alternatively funds would be made available at an average margin of 0.43 per cent over London Eurocurrency rates.

U.S. banks have shied away from lending to France in the past because the margins offered over Eurocurrency rates are too low. Prime lending is much more profitable, but it is also more costly to the borrower and the French Treasury is still understood to be worried about the total cost involved.

For this reason the formula proposed allows the borrower, not the lending banks, to choose whether funds not made available on a prime or on a Libor base. But ways are being sought to protect U.S. bank lenders from having to provide all the funds over Libor.

One solution which has been proposed but not finally ratified by Credit Foncier and the French Treasury is believed to be a clause guaranteeing that half the dollars drawn would bear margins over U.S. prime rate. Credit Foncier might also agree to a penalty fee for avoiding the prime-based margins by drawing another currency under the multi-currency option.

A final decision on the credit is expected this week. There is no shortage of Japanese banks willing to lend to France, but the Treasury is understood to want to get away from the syndrome whereby Japanese banks provide half of each credit and the rest comes from French banks.

But going ahead, however cautiously, with a prime-based deal would imply some hardening of the market against France. Eurodollar rates are currently some three percentage points below prime which ranges from 15½ per cent to 15¾ per cent.

Eurobond prices marked lower

BY ALAN FRIEDMAN

THE EURODOLLAR bond market's case of indigestion continued yesterday as prices of seasoned bonds were marked down ¼ to ½ point and some new issues traded at discounts of as much as 4½ points.

The recently launched $50m 10-year issue for Cummins Engine was trading at 95½ bid during the day, while the $75m five-year issue for RCA stood at 97½ bid in the grey market.

Wood Gundy priced its $50m seven-year Imasco paper a day ahead of schedule at 99½. The coupon was raised from 15½ to 15¾ per cent and the yield at issue price is now 15.60 per cent.

Despite Friday's optimism in the Euromarkets, the latest statistics on the U.S. recession appear to have been partly discounted. The prospect of more new issues of dubious quality is haunting this market. So is the heavy New York bond market calendar this week.

There were two Canadian dollar issues last night and one Eurodollar bond offer. The Canadian Imperial Bank of Commerce (CIBC) is offering C$75m of seven-year paper with a coupon of 15¾ per cent and a price of 99½. The bonds are callable after five years at 100½, declining by ½ per cent each year. Joint managers are Hambros and CIBC Limited.

The Societe d'Habitation du Quebec, the housing finance company, is in the market with C$50m of six-year paper. The coupon is 15½ per cent and the price is par. Lead-manager is Societe Generale.

In the Eurodollar sector, a $50m five-year offer is out for Statsforetag, the Swedish state company. The coupon is 15¾ per cent indicated and joint managers are Hambros, PKbanken and Credit Suisse First Boston.

With last week's renewed influx of Japanese convertibles, attention now centres on the pricing of current deals. Daiwa Securities announced last night that its $80m Mitsubishi deal has been priced with a 5¾ per cent coupon, as indicated, and a conversion premium of 0.61 per cent, a rather low premium.

In Frankfurt, prices of foreign bonds were unchanged. A DM 50m private placing is being arranged for Eurofima through the BHF Bank. This is a five-year offer with a coupon of 9Z per cent and a price likely to be 100¼.

The Swiss franc foreign bond sector saw prices marked up ¼ point on the back of confidence in the Swiss currency.

The SwFr 100m 10-year Kingdom of Denmark issue was priced at par with a coupon of 7¼ per cent through the Union Bank of Switzerland.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday December 15. Closing prices on December 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	102¾	103¼	−0½	−1	15.76
APS Fin. Co 17¼ 86	60	104¼	104¾	−0⅛	−0⅞	15.81
Armco O/S Fin. 15¾ 86	50	100⅜	100⅞	—	—	15.26
Br. Colum. Hyd 16¼ 88	100	104⅛	104⅝	−0⅛	−0⅜	15.16
Br. Colum. Mis. 17 97	50	104⅝	105⅛	−0⅛	−0½	16.11
Can. Nat. Rail 14⅜ 91	100	97¾	98¼	—	—	15.02
Caterpillar Fin. 16½ 86	100	103½	104	−0⅛	−0⅝	15.33
CFMP 16⅝ 86	100	103½	104	−0⅛	−0⅛	16.06
CIEC 16⅜ 91	100	105	105½	−0⅜	−1⅛	15.64
Citicorp Int Fin. 15 86	150	101¼	101¾	−0⅛	−0⅜	14.46
Citicorp O/S 16⅞ 86	150	105⅝	106⅛	−0½	+0⅛	14.92
Cities Service 17 86	150	106¼	106¾	−0⅜	−0⅞	15.34
Con. Illinois 14⅞ 84	100	†100½	101	−0⅛	−0⅜	14.32
Cons.-Bathurst 17½ 88	60	103⅝	104⅛	−0⅛	−0⅛	16.50
CPC Fin. 16⅝ 86	50	105	105½	−0⅛	−1⅛	15.07
Dupont O/S 14½ 88	400	99⅜	99⅞	−0⅛	+0⅜	14.59
EIB 16½ 88	100	103⅜	103⅞	0	−0⅛	15.55
EIB 16⅜ 91	100	104⅞	105⅜	−0⅛	−0⅛	15.68
Ford Cr O/S Fin. 16 85	150	100⅜	100⅞	+0⅞	+0⅞	15.65
GMAC O/S Fin. 16½ 84	300	102¾	103¼	−0⅛	−0⅞	15.10
Gulf States O/S 17⅞ 88	60	105⅞	106⅜	−0⅛	−1⅛	15.92
IBM Wld. Trade 14⅜ 85	60	102¾	103¼	−0⅛	−0⅛	13.58
Nat. Bk. Canada 16½ 88	40	100⅜	101⅛	−0⅛	−0⅞	16.89
New Brunswick 17 88	60	105¼	105¾	−0⅛	−1½	15.59
Newfoundland 17½ 89	60	107⅜	107⅞	−0⅛	−0⅛	15.46
New. & Lab. Hy. 17¼ 89	75	104⅞	105⅜	—	—	16.05
Ohio Edison Fin. 17½ 88	75	103	103½	−0⅛	−0⅞	16.63
OKG 15⅝ 97	50	99	99½	−0⅛	−0⅛	15.88
Pacific Gas Elec. 16 88	75	103	103½	−1	−1⅛	15.13
PSNH Int. Fin. 17 86	30	†103⅜	103⅞	+0½	0	15.80
Quebec Hydro. 17⅜ 91	150	107	107½	−0⅛	−0⅛	15.72
Saskatchewan 16⅝ 88	100	102½	103	−0⅛	−0⅞	15.56
Shell Canada 15⅜ 91	100	104⅞	105⅜	−0⅛	−0⅛	14.69
South California 14⅜ 88	50	100⅞	101⅜	−0⅛	−0⅛	14.41
Swed. Ex. Cred. 16½ 93	75	102½	103	−0½	−0⅜	15.96
Tenneco Int. 17 89	100	105⅞	106⅜	−0⅛	−0⅛	15.55
Transcanada 17¼ 88	75	106⅜	106⅞	−0⅛	−0⅛	16.05
Transcanada 16 89	100	100	100½	−0⅛	−1⅛	15.94
Walt Disney 15⅜ 86	100	103	103½	−0⅛	−1	14.89
Wells Fargo Int 15½ 84	50	103	103½	−0½	−0⅛	13.77
Winnipeg 17 86	50	106	106½	−0⅛	−0⅜	15.05
World Bank 16 86	210	102¾	103¼	+0⅛	−0½	14.93
World Bank 16 88	80	102½	103	−0⅛	−0⅛	15.23
World Bank 16½ 86	130	104¼	104¾	0	−0⅞	15.10
World Bank 16½ 88	100	104	104½	−0⅛	−1	15.41

Average price changes... On day −0⅛ on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 10 91	100	99⅞	100⅜	0	+0⅜	9.94
Asian Dev Bank 10⅜ 89	100	102⅜	102⅞	0	+0⅛	10.25
Austria Rep. of 8⅝ 92	150	92⅜	92⅞	+0½	+2	9.37
Belgelectric 11 91	100	102	102½	−0⅛	+0⅛	10.61
CECA 10 91	120	102⅜	102⅞	−0⅜	−0⅛	9.57
Council of Europe 10 91	100	100⅝	101⅛	+0½	+0⅛	9.81
Cncl. of Europe 10¼ 91	100	100⅝	101⅛	+0⅜	+0½	10.08
EIB 8½ 90	200	94⅜	95⅛	0	+0⅛	9.35
EIB 10½ 91	200	103⅛	103⅞	+0⅛	+0½	9.89
ESCOM 9¼ 87	100	95⅜	96⅜	+0¼	+0½	10.24
Finland, Rep. of 10 89	100	100⅝	101⅛	+0⅜	+1⅛	9.83
Ind. Bk. Finland 8½ 90	50	92⅜	92⅞	0	+1	9.79
Int.-Am. Dv. Bk. 10 91	100	100⅝	101⅛	+0⅛	+0⅛	9.86
Japan Air Lines 8⅝ 87	100	95¾	96½	+0⅛	+0⅛	8.99
Japan Dev. Bk. 7⅞ 87	100	92⅞	93⅜	0	+0⅛	9.18
Midland Int. Fin. 8½ 90	180	94⅜	95⅛	+0⅛	0	9.35
Mr Bl Dnmk. 10½ 91	100	100⅝	101⅛	0	+0⅛	10.37
Nat. West 11 91	125	104⅞	105⅜	−0⅛	+0⅜	10.18
OKB 10¼ 91	150	101⅞	102⅜	0	+0⅞	9.83
Serault Accept. 10⅜ 86	150	100½	101⅛	0	+0⅛	10.46
Swed Ex Cred. 10⅜ 91	100	100⅜	100⅞	−0⅛	+0⅜	10.18
Venezuela, R of 9⅜ 90	150	94⅞	95⅛	+0⅛	0	10.69
World Bank 11 91	100	103¾	104⅜	+0⅛	0	10.27

Average price changes... On day +0⅛ on week +0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes... On day +0⅛ on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	180⅞	82	0	−0⅛	12.37
SOFTE 8⅜ 89 EUA	40	78	79⅛	−0⅛	+1⅛	12.90
U. Bk. Nwy. 9½ 90 EUA	18	189	90½	+1	+2	11.47
Algemene Bk. 10⅜ 86 Fl	60	98⅞	98⅞	+0⅛	+0⅞	10.72
Amfas Group 12⅜ 86 Fl	40	100⅝	101⅛	+0⅛	+0⅛	11.99
Amro Bank 12 86 Fl	75	102⅞	102⅜	+0⅛	−0⅛	11.23
Amro Bank 12 85 Fl	60	101⅜	101⅞	+0⅞	+0⅛	11.53
Heineken NV 10 87 Fl	100	96	96½	+0⅞	+1	10.90
Pierson 10⅜ 86 Fl	50	96	96½	+0⅛	+0½	11.38
Rabobank 12 86 Fl	50	101	101½	−0⅛	−0⅛	11.58
Air France 14½ 86 FFr	200	92	93	0	+0½	16.98
Bk. America 14½ 86 FFr	250	93½	94½	+0⅛	+0⅞	15.56
Charb'nages 13⅞ 85 FFr	400	91½	92½	+0⅛	+0½	16.85
EIB 14⅛ 88 FFr	300	88⅜	89⅜	+0⅛	+1⅛	17.11
La Redoute 14⅜ 85 FFr	125	90⅜	91⅜	+0⅞	+0⅞	17.56
OKB 14 86 FFr	400	91½	92½	0	+0⅞	16.76
Solvay et C. 14⅜ 86 FFr	200	91⅞	92⅞	+0½	+0⅜	17.34
Swed. E. Cr. 14⅜ 86 FFr	250	91⅜	92⅜	0	+0⅜	17.26
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	0	17.28
Acona 14 85 £	20	91⅜	92⅜	0	+0⅛	16.87
Beneficial 14⅛ 90 £	20	84⅜	85⅜	0	0	17.63
BNP 13½ 91 £	15	85⅜	86⅜	−0⅛	+0⅞	16.56
CECA 13½ 88 £	20	90⅜	91⅜	0	−0⅛	15.77
Citicorp O/S 13½ 90 £	50	90⅜	91⅜	−0⅛	−0⅛	15.46
Fin. Ex. Cred. 13⅜ 86 £	15	92⅜	93⅜	−0⅛	−0⅛	16.00
Gen. Elec. Co. 12½ 89 £	50	87⅞	88⅞	+0½	+0⅛	15.21
Hiram Walker 14⅜ 86 £	25	94⅜	95⅜	−0⅛	−0⅛	15.89
Privatbanken 14⅞ 88 £	12	93⅛	94⅛	+0⅞	+0⅜	16.08
J. Rothschild 14⅜ 90 £	12	94½	95½	+0⅛	+0⅛	15.28
Royal Trustco 14 88 £	12	94⅛	95⅛	−0⅛	0	15.77
Swed. Ex. Cr. 13⅜ 86 £	20	93⅛	94⅜	+0⅞	+0⅛	15.85
Akzo 9⅜ 87 LuxFr	500	86⅛	87⅛	+0⅛	0	12.52
Euratom 9⅜ 88 LuxFr	500	86⅜	87⅜	+0⅛	−0⅛	12.92
Eurofima 10½ 87 LuxFr	500	89	90	−0⅛	−0⅛	13.15
EIB 9⅜ 88 LuxFr	600	85⅞	86⅞	−0⅛	0	13.10
Volvo 9⅜ 87 LuxFr	500	85½	86½	−0⅛	+0⅞	13.29

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0⅛	99⅜	100⅛	18/12	16⅜	16.76
Bank of Montreal 5¼ 91	0⅛	100⅛	100⅜	29/4	17.06	16.98
Bank of Tokyo 5⅜ 91	0⅜	99⅜	99⅞	10/12	5⅛	5.27
Bk. Nova Scotia 5⅛ 93	0⅛	100⅜	100⅞	29/4	17.06	16.96
BBL Int. 5 86	0⅛	99⅞	100⅜	20/5	13½	13.48
BFCE 5⅛ 88	0⅛	100⅜	100⅜	28/4	16.94	16.86
Christiania Bk. 5½ 91	‡0⅛	98⅜	99⅛	5/2	15.56	15.72
Co-Ban Eurofin 5½ 91	0⅛	98⅞	99⅜	14/4	16.69	16.83
Den Norske Cred. 5½ 93	0⅛	99⅛	99⅜	4/12	5½	5.53
Genfinance 5⅛ 87	0⅛	101½	101⅜	30/4	17.08	16.83
Genfinance 5⅜ 92	0⅛	99⅜	100⅜	30/12	18.31	18.31
Giro und Bank 5⅜ 91	‡0⅛	99½	100	23/12	17½	17.54
GZB 5⅛ 92	‡0⅛	99	99½	5/12	17⅜	17.38
Ind. Bank Japan 5⅛ 88	0⅛	99⅜	99⅜	5/5	13.31	13.41
Lloyds Eurofin 5⅛ 93	§0⅛	100⅛	100⅜	29/4	17.13	17.07
LTCB Japan 5½ 89	0⅛	99⅜	99⅞	16/1	18.32	18.39
Midland Int. Fin. 9 91	0⅛	100⅜	100⅞	30/4	17.08	16.96
Nacional Fin. 5½ 88	0⅛	98⅜	99⅛	25/3	17.31	17.51
Nat. Bk. Canada 5⅛ 88	0⅛	100	100½	24/3	17.31	17.27
Nat. West. Fin. 5⅛ 91	§0⅛	99⅛	99⅞	15/1	18⅛	18.19
Nat. West. Fin. 5⅛ 92	§0⅛	100⅛	100⅜	23/4	17	16.92
Nordic Int. Fin. 5½ 91	0⅛	99⅛	99⅜	6/5	15⅛	15.70
Offshore Mining 5⅛ 91	0⅛	98⅜	98⅞	2/6	13	13.15
Pemex 6 91	0⅛	98⅜	98⅞	8/4	17	17.24
Pemex 5⅛ 88	0⅛	†98⅛	98⅛	14/2	18.81	19.10
Sanwa Int. Fin. 5⅛ 88	0⅛	†99½	100⅛	24/3	17⅛	17.23
Sec. Pacific 5⅛ 91	0⅜	99⅛	99⅜	24/6	13⅛	13.32
Societe Generale 5⅛ 91	0⅛	99⅜	100⅛	22/1	18⅛	18.65
Sparebanken 6 87	0⅛	98⅞	99⅛	19/12	16.81	16.88
Standard Chart. 5⅛ 91	0⅛	98⅜	99⅛	18/5	13.31	13.45
Sumitomo Fin. 5⅛ 88	0⅛	100⅛	100⅜	6/2	19.56	19.47

Average price changes... On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	88	99½	−1	0.74
[illegible]						

[illegible]

Terry Dodsworth looks at an industry soon to be nationalised

France will need a chemical solution

SOME TIME in the not too distance future, when the nationalisation Bill is law, the French Government will have to start looking at some of the industrial problems it has inherited. In two areas, chemicals and electrical white goods, there will almost certainly be some reorganisation. Of the two, chemicals are probably the more important.

A big slab of France's chemicals manufacturing is already in public ownership. The nationalisation project will extend the State's scope to give it virtually total control over base chemical production and a dominant position in some key products, such as fertilisers. The nationalised companies, it is calculated, will also account for about 40 per cent of overall chemical sales in France, along with 25 per cent of pharmaceuticals turnover.

This expansion of the State's role provides a clear opportunity for embarking on a reorganisation that has been discussed for years. The French chemicals industry has long worn an air of crisis, accentuated last year by stunning losses. The big three groups all slumped into deficit, Rhône-Poulenc incurring a loss of FFr 1.9bn ($339m), including special provisions, CdF Chimie a loss of FFr 550m and Produits Chimiques-Ugine Kuhlmann (PCUK) FFr 430m deficit.

The main change resulting from the nationalisation will be the take over of two of these big loss-makers, Rhône Poulenc and PCUK. Any re-organisation depends crucially on how these two groups are dealt with. Yet most of the discussions have centred on the fate of PCUK, the most chronically sick of the big French companies.

The problem for PCUK, a subsidiary of the Pechiney Ugine Kuhlmann (PUK) metals and aluminium group, is that it neither has the right size nor the right mix of products to compete effectively in the international market.

M Pierre Dreyfus, French Industry Minister

After taking control of the bulk of the chemical industry, the French State will be faced with the problem of what shape the nationalised industry will take

Just before the Presidential elections, a solution to these questions seemed to be in sight when Occidental Petroleum, the U.S. group, reached agreement on a takeover. This deal was held up by the elections (the last Government evidently considered that a sale to U.S. interests would be unpopular) and finally faded quietly away in the wake of the Socialist landslide.

The hard-Left of the Socialists, along with the Communist-led CGT union, has in the past put up the much more radical solution of a single national chemical company—a sort of "France Chemicals."

But this kind of giganticism now attracts little support in the higher echelons of Socialist Government. It has been rejected for the steel industry and it has no chance of being adopted for chemicals.

Present thinking tends towards the need to maintain internal competition and choice between different suppliers.

As a result current discussion is turning towards some two or three-way split for the industry, with PCUK probably being carved up in the process.

In the most radical of these schemes, put up by a Socialist Party study group, the industry would be reorganised around two main poles, under the time-honoured French concept of competing "national champions." One of these would be based on Rhone-Poulenc, and the other on CdF Chimie, the chemicals subsidiary of the nationalised Charbonnages de France coal mining group.

The advantage of this project would be the way in which French speciality chemical products could be centred on Rhone-Poulenc, with petrochemicals and bulk plastics coming under the general direction of CdF Chimie. Rhone-Poulenc, in particular, has apparently made a good impression on the Government with its long-term, five-year growth plan, essentially angled on high value-added products such as agro-chemicals and health products. Its losses are attributable due to its ailing textiles subsidiary.

Under such a plan, however, it is also proposed to restructure the two big base chemicals producers, ATO-Chimie, owned jointly by the oil groups, Total and Elf Aquitaine, and Chloe-Chimie, bought by the same two oil companies only last year from Rhône-Poulenc. Entrepuse Miniere et Chimique, also State-controlled, would, in addition, have to be swallowed up.

To avoid such a radical carve-up, it might be decided to follow a less ambitious plan, designed only to get the PCUK problem out of the way, while leaving PUK free to develop the rest of its business. In a recent speech, M Pierre Dreyfus, the Industry Minister, stressed that the Government wanted to see PUK concentrate essentially on its aluminium and specialised metals products.

Apart from these comments, the Government has given away little about its detailed intentions. But its objectives, as for the rest of industry, are clear enough. It will want companies big enough to compete effectively with the best in the world (Rhône-Poulenc, France's largest, is only tenth in the world league), and it will want to turn back the tide of imparts.

Although France ran a balance of payments surplus of FFr 11bn in the chemicals sector last year, this masked a stagnation of exports and a rise in imports of about 16 per cent. The country is also reckoned to consume more foreign-produced chemicals than any of its foreign competitors. The reconquest of the domestic market will inevitably mean an effort to change this.

Air France forecasts heavy deficit

By Terry Dodsworth in Paris

AIR FRANCE, the French State-owned airline, will run up losses of around FFr 400m ($71m) this year compared with a profit of FFr 10m in 1980.

This slump, confirmed in a prospectus for a new FFr 600m 12-year bond, follows indications in the summer it would not be able to meet the break-even target that it had set itself earlier in the year.

The deterioration in Air France's results, after four years of operating its subsonic fleet at a profit, may mean the renegotiation of its contract with the Government, which was based on a more favourable environment.

But no discussions have taken place so far, partly because of the ministerial changeover since the elections.

Air France blames a mixture of factors for its problems this year. On the market side, it has hit substantial difficulties on several routes, particularly to Iran and Iraq, and has also suffered from the increased competitive pressure on prices.

Within the company, salaries have also risen faster than expected. But the biggest problem has come from financial factors, both through the high rate of the dollar against the franc, and the increased cost of borrowing. The newly floated FFr 600m bond, for example, is at a rate of 17.2 per cent.

Air France's contract with the Government foresees a substantial borrowing programme in the next three years. But the State itself is to inject some fresh equity capital, at the rate of FFr 60m this year and FFr 150m in 1982.

Go-ahead for Italian proposals for ENI

BY RUPERT CORNWELL IN ROME

THE ITALIAN Government has finally approved two plans which in large measure ought to shape the medium-term future of the country's key chemicals and energy industries.

The Cabinet's economic policy committee has endorsed the energy plan drawn up by Sig Giovanni Marcora, the Industry Minister, involving a total expenditure of L85,000bn ($18bn) over the next decade.

The central provision of the plan is for the construction of six new power stations, three of them coal-fired and three nuclear. These latter will be sited in the regions of Piedmont, Lombardy and Puglia, while the coal stations will be built in Calabria, Lombardy and Puglia.

Meanwhile, ministers have also given their formal blessing to the project for a single public sector chemical grouping, clustered around ENI, the State energy agency. They have approved the transfer to ENI of the chemical interests once held by the bankrupted SIR (Societa Italiana Resine) empire.

The plan calls for ENI to take responsibility for 8,500 former SIR employees and covers an investment programme of L3,000bn or more in the next three years.

The SIR plants will be run by Anic, the existing chemicals offshoot of ENI, and by the recently created Enoxy joint venture which links the State group and Occidental Petroleum of the U.S.

The plan has attracted considerable adverse criticism—not least from Montedison, the country's biggest and privately owned, chemicals concern—that maintaining most of the SIR operations could easily lead to wasteful competition and overcapacity in base chemicals.

Opponents of the scheme have reckoned that the rescue operation will cost the State, and hence the Italian taxpayer, L3,500bn in all.

Shares up on oil flow

BY STEPHEN THOMPSON

THE LATEST drilling report from the Jackson No. 1 exploration well drilled in the Queensland sector of Australia's Cooper Basin sent share prices of the companies participating in the well surging ahead on the London and Australian stock markets yesterday.

The latest test, over the interval from 4,687 ft to 4,773 ft, produced a flow of approximately 2,500 barrels of 39 degree API oil a day and follows oil flows totalling around 1,700 barrels a day from three previous tests over shallower intervals. It is among the highest on-shore oil flows recorded in Australia.

On completion of Jackson 1, interests in the Naccowlah block, in which Jackson 1 is located, will be Santos, 40 per cent, Delhi Corporation, recently acquired by CSR, 32 per cent, Claremont Petroleum, 10 per cent, Vamgas, 8 per cent, Ampol Exploration, 7.5 per cent and Oil Company of Australia, 2.5 per cent.

Delhi, operator of the well, has conservatively estimated reserves in the low tens of millions of barrels, but further step-out wells will be needed to back up this estimate. Drilling will shortly begin on other geological formations on the Jackson structure.

Terms for Indosuez acquisition laid out

By David Housego in Paris

INDOSUEZ, the French banking group which is being nationalised, has been formally told by the Australian Government of the conditions under which it can take a stake in the Sydney-based merchant bank AML-Finance Corporation.

Indosuez has been negotiating for a year for a 45 per cent stake in AML, a wholly owned subsidiary of AMLS Holdings, in its bid to extend its Far Eastern and Pacific network. AMLS is 74 per cent owned by Wood Hall Trust, the UK holding company, with the rest of the shares publicly held in Australia.

In line with its policy for controlling the entry of new foreign banks into Australia, the Australian Government confirmed to Indosuez over the weekend that approval would be withheld unless the Australian stake in AML was also raised. Indosuez said yesterday that it was continuing its search for an Australian partner to raise the local interest in the bank to about 45 per cent.

Indosuez last month established a new merchant bank subsidiary in New Zealand to add further weight to its Far Eastern and Pacific interests.

Andelsbanken venture

Andelsbanken, the fourth largest Danish commercial bank, is partnering Den Danske Provinsbank, Faellesbanken and Sparekassen SDS in a newly established consortium to raise project finance for Denmark's oil, gas and other energy ventures. The bank was incorrectly referred to as Handelsbanken in an article on international banking published in the Nordic Banking Survey last Friday.

Changes at the top for leading Malaysian groups

BY WONG SULONG IN KUALA LUMPUR

TOP MANAGEMENT changes have been made at two of Malaysia's largest companies which hold key roles in the economic policies of Datuk Seri Dr Mahathir Mohamed, the Prime Minister.

Mr Jaafar Hussein, head of the Malaysian operations of Price Waterhouse, the accounting firm, takes over as executive chairman of Malayan Banking, the country's largest bank. He replaces Tan Sri Taib Andak, a non-executive chairman appointed by Tun Razak, a former Prime Minister.

Top-level changes are also expected soon at Bank Bumiputra and United Malayan Banking Corporation, the country's second and third largest banks.

The Government owns Bank Bumiputra and has large enough stakes in the other two to dictate board changes.

The second major change is the appointment of Mr Desa Pachee as executive chairman of Malaysia Mining Corporation (MMC). He replaces Datuk Junus Sudin, the non-executive chairman, and Mr Rahim Aki, its chief executive.

The new chief of MMC was general manager of Permodalan Nasional, the Government's investment agency, which owns 56 per cent of MMC.

MMC, which accounts for 23 per cent of the country's tin output, and Malayan Banking are publicly listed companies ranking second and third by market capitalisation after Sime Darby.

These appointments will seriously erode the influence of Tengku Razaleigh Hamzah, the Finance Minister, since many of the men being replaced are closely associated with him.

The finance minister lost the post of deputy leader of the United Malay National Organisation this summer to Datuk Musa Hitam. Musa is a close political ally of the Prime Minister who subsequently made him his deputy when he came to power this summer.

There is also strong speculation that Datuk Junus might be replaced by a political ally of Dr Mahathir as head of Fleet Holdings which controls New Straits Times, the country's biggest newspaper chain.

Further fall in company earnings in Japan

By Yoko Shibata in Tokyo

JAPAN'S major companies suffered their second consecutive setback in half-year earnings in the period ended September. Although the outlook for the six months ending March 1982 is for a recovery in profits this will probably be much slower than originally forecasted.

A survey by Nihon Keizai Shimbun, Japan's leading economic daily paper, of 862 companies listed on the nation's stock exchanges found that operating profits fell 17.1 per cent in the April-September half from the levels of the six months ended March while sales rose by just 1 per cent.

A slackness in demand for basic materials, resulting from the delayed recovery of the domestic economy, was a drag on earnings. Despite production cuts designed to boost market prices, the basic materials industries suffered from higher raw material prices and softer selling prices. The paper and pulp, petrochemical, and non-ferrous metals (mostly aluminium) industries fell into operating deficits.

Shifts in the yen's exchange rate played a key role in determining earnings performance. The oil refining industry expected the yen to appreciate in response to Japan's strong economic performance and accordingly failed to hedge its dollar risks in the forward market. But the yen depreciated causing combined operating losses by the 11 largest refiners of up to Y320bn ($1.5bn).

The yen's depreciation also hit profits of the electric power industry which, like the refiners, is heavily dependent on imported oil. Excluding the oil refining and electric power companies, operating profits of the other 845 companies surveyed declined by only 0.2 per cent.

Volkskas lifts profits in first half

By Jim Jones in Johannesburg

VOLKSKAS, South Africa's fourth largest banking group, has reported group income after tax, transfers to contingency reserves and minority interests of R22.6m, ($23.3m) for the half year to September, against R16.2m in the same period last year and R46.4m for the year to March 31. Management is confident that the level of first-half income will at least be repeated in the second half.

Since September 30, Volkskas has acquired Bank of the Orange Free State (Bankovs), a general bank operating mainly in consumer finance. The acquisition lifted group isused capital by 1.74m ordinary shares to 29.7m.

First-half earnings were 73.7 cents a share on the increased capital, against 60.1 cents. An interim dividend of 16 cents has been declared, against 13.5 cents. For the year to March earnings were 167 cents a share and the dividend total 36 cents.

Singapore Land cancels plans to buy five ships

BY OUR FINANCIAL STAFF

SINGAPORE LAND, one of the republic's largest property developers, said it has cancelled plans to acquire five multi-purpose cargo ships. The announcement gave minority shareholders who balked at the deal, a victory over Mr S. P. Tao, the Singapore Land chairman who also heads the Hong-Kong based Ocean Shipping group which was selling the ships.

The Land deal thus meets the same fate as Sir Yue-Kong Pao's recent attempts to merge Hongkong Wharf and Godown Company and World International (Holdings), two companies he controlled. Although of hardly the same magnitude, the Singapore deal, like the Hong Kong one, would have helped a property company diversify into shipping.

The announcement follows criticism from a group of Singapore Land shareholders owning some 15 per cent of the stock who objected to the company moving into shipping when the market is deperessed because of excess tonnage. The group was led by Lin Tah Hwa, a local stockbroker.

On November 17 the company unveiled plans to buy five ships costing a total of U.S.$53m, each owned by a separate subsidiary of Ocean Shipping.

The purchases were to be financed through a rights issue, a one-for-five scrip issue, and S$100m (U.S.$48.6m) issue of unsecured loan stock with subscription warrants.

The scrip and loan stock issues will go ahead as planned, Land said.

The five ships, which, with time charters, were valued at S$61m in November, would have brought in a total net profit of S$9.2m in the current year, to August.

The company, which had a group net profit of S$5.3m on revenue of S$19.4m in the year ended August said it would have to review profit and dividend forecasts for this financial year.

Fedfood ahead despite poor fishing results

By Our Johannesburg Correspondent

FEDFOOD, the diversified food group controlled by Federale Volksbeleggings, lifted operating income for the six months to September 30 to R19m ($19.5m). This compares with R14.3m for the same period of 1980 and R36m for the year to March 31. Turnover was R265.2m against R210.2m and R443.6m.

A decline in the contribution from fishing was offset by an improvement in the snack foods division and greater penetration of the frozen foods market.

Margins are expected to be increasingly under pressure but satisfactory full year profits should be achieved, the company says.

An interim dividend of 16 cents a share, against 15 cents, has been declared from first half earnings of 37 cents, compared with 31.4 cents. For all 1980-81 dividends totalled 34 cents and earnings 78 cents.

TECHNOLOGY

EDITED BY ALAN CANE

Moscow amazed by FT's '24-hour Day'

BY JOHN CHITTOCK

Video and Film

A RECENTLY released film about a day in the life of a newspaper claims that its journalists are expected to be "honest, accurate and objective in their reporting. This was reassuring to me because I was preparing to review that very same film—made by the *Financial Times—in this column.*

Objective I am almost because I had nothing to do with its production: I even assiduously covered my ears whenever comment from others seemed imminent. None the less, a sticky assignment you might agree — albeit completely self-imposed without the knowledge of others on the newspaper. Would it be a stinker and would I have the courage to say so?

Actually, it's rather good. Under the title *The FT—A 24-hour Day*, the film does convey a good sense of the complex network of people and technology involved in putting this newspaper together. Like all good films, it also leaves a lingering impression: in this case of internationalism and of dedication to open-mindedness and objectivity before taking editorial stances. This is probably why, one FT colleague suggested, viewers in Moscow had been amazed by the film.

What then would they make *of this review when I add that*, for all its public relations excellence, the film has a certain blandness — a disappointing failure to take up issues with itself?

Paradoxically, it is more difficult to be objective about *Kept in the Dark*. This is not a film about a rival newspaper, but a videocassette made for an organisation called Compassion in World Farming. Evidently aimed at school-children, it follows a classroom exercise in which the pupils talk and draw pictures expressing their romanticised view of farming.

Subsequently, they are taken to see for themselves regimented egg-laying factories, claustrophobic pigsties, and dark and noisy broiler houses reminiscent of Nazi concentration camps.

This production has an amateurish quality about it, and my own reactions to it are far from objective. For years I have been personally appalled at this economic end being made to justify the cruel means, and I have seen it in action for myself on personal visits to intensive farms. Nonetheless, I do believe I am being fair in claiming that this is an effective programme that should worry farms — tackling, as it does, the next generation of consumers.

Predictable

Of course, many sponsored programmes today are dealing with issues where objective reviewing is difficult. Thus, *Energy for All*, a well-argued film from the UK Atomic Energy Authority; convincing, apparently reasonable, and disappointing only for failing to include at the end a discussion about the arguments surrounding nuclear power.

Other releases come in abundance.

Stop That comes from the British Insurance Association—a somewhat predictable contribution to making householders more aware of the dangers of housebreaking. *The X Factor* is Standard Telephone and Cable's extremely well-photographed account of the new telecommunications switching development, System X; heavy on the romance of technology, light on actually explaining what it is and how it works.

How to Pass Your Driving Test is a videocassette from Infovision, made with the co-operation of the British School of Motoring; long, professionally presented, useful and sure to succeed commercially when offered on sale at £29.50 to some of the 1.5m learner drivers who take to the roads in the UK each year.

If this whirlwind round-up of releases seems a little unkind on the producers and sponsors, it is done only out of fairness to two other programmes which shine like beacons in the darkness of creation. For them, I save the rest of my column—as much in gratitude for stimulating my interest where others only begged it—and for enlightening me where others only reminded me of what I already know.

Exquisite

Who would believe that a film with the title *Overturning Tractors* could possibly qualify for such an accolade? Yet this latest release from the Health and Safety Executive—whose films are a model for other sponsors to copy—is a relief to one who sometimes feels that the craft of cinema is dead.

This film succeeds for a number of very simple, even obvious, reasons: it has something really important to say (that tractors turn over in situations you would never imagine); it uses the medium of cinema exquisitely, taking the viewer into angles and situations that no *other means could reproduce*—cutting from shot to shot at the critical moments, enhancing the impact with atmosperic sound.

It drives the message home; and, thankfully, it uses an astringently written commentary which delivers the facts—and in a voice which is interesting, easy to hear and free from theatrical flourish (in fact, the voice of Leslie Sands, one of our best today).

Since I am never likely to drive a tractor, however, the deepest impression for me was made by *Danger at Work* (from Birmingham University's Institute of Occupational Health).

This programme is an extraordinarily comprehensive introduction to the insidious environmental dangers which seem to lurk in almost every occupation (even for writers, who lend their name to writer's cramp).

For many viewers, I am sure much of its content will be a revelation. Such as the case of *office workers who* suffered from pneumonoconiosis, due to a faulty air-conditioning system; cancer of the scrotum, caused by engineers putting oily rags into their trouser pockets; and dermatitis and skin cancers in a variety of jobs ranging from bakers to hop-pickers.

This programme succeeds largely on its well-researched content, the authority of people interviewed on the subject, and the sensible balance maintained to prevent any subject from becoming laboured or any televisual style from lacking variety. Thus the interest of the viewer is sustained, and no effort is spared to show whatever is being talked about—whether it means going down a coal mine or into a nuclear power station.

Every manager with responsibilities to the employees should see this programme. It is a persuasive reminder that anything in life is dangerous in excess and that good health is, perhaps, more or our own making than we readily accept.

This is a cool, objective, and reasonable programme—free of the campaigning fervour which characterises and devalues, for example, much of the anti-smoking lobby. Its sense of objectivity succeeds, even though the truthful critic knows that objectivity in film and television is a fallacy—beginning with the very moment the cameraman decides where to point the lens.

Revolution beneath Acton's feet

SIMILAR TO the earthworm, which uses frictional resistance between segments of its body and the surrounding earth to force its way through the ground, is the movement of a tunnelling technology taking place in a densely populated London suburb.

Residents in Acton, West London, whose cellars and basements have been constantly flooded—by sewage as well as surface water—are mostly unaware of the revolution taking place below their feet.

What they know too well is that they have a treasure trove of unwanted Victoriana—obsolete sewers.

Crumbling and corroded sewers in cities and towns throughout the UK need to be replaced or renovated at a cost of millions of pounds, and Ealing in tandem with the Thames Water Authority is tackling part of its underground problem right now.

Worming its way just under the road surface and within a few feet of people's front doors, schools and corner shops, is the Unitunnel system.

Conceived by Mike Richardson, chief engineer of Marcon International (who recently won the £10,000 first prize in the Civil Engineering innovation competition), the rights to patent applications have been acquired by John Mowlem which is working with the inventor on Unitunnel's development and promotion.

Simply, like a worm, the sections of the system wriggle through the ground wherever conventional tunnelling or thrust bore methods may be used — but with a difference.

In a Unitunnel, the thrust at the joint is provided by air pressure which inflates rubber bladders (shaped rather like bicycle inner tubes) located around the perimeter of every pipe at the joint.

These bladders are fitted with steel collars which have been incorporated into the trailing edge of the pipe and act as protection from the ingress of material and abrasion from the surrounding earth.

The sequence of movement is effected automatically by electronic timing controls so that every third pipe is driven forward at the same time, using the frictional resistance generated by the following two pipes at the thrust blocks.

The principle of the "group of three pipes" is achieved by synchronising the application of the force to every third joint down the line.

Thus, all leading pipes are moved forward together, followed by all second and third pipes in turn. This sequence is repeated automatically so that the movement forward is continuous while excavation is in progress.

Air is delivered to each bladder from an air main—the flow being controlled by a solenoid valve between the air main and the bladder.

The automatic timing sequence is electronically controlled from outside the tunnel where an air supply of about eight bars is required. A compressor battery will supply enough power to operate the electrical control system and laser guides.

One piece of equipment visible to Acton residents is the reaction frame in the working shaft, but no thrust blocks, major jacking equipment or plant are needed. So the working area is less than that required for conventional tunnel jacking. Its size is more dependent on the method used for moving the spoil than for accommodating the Unitunnel equipment.

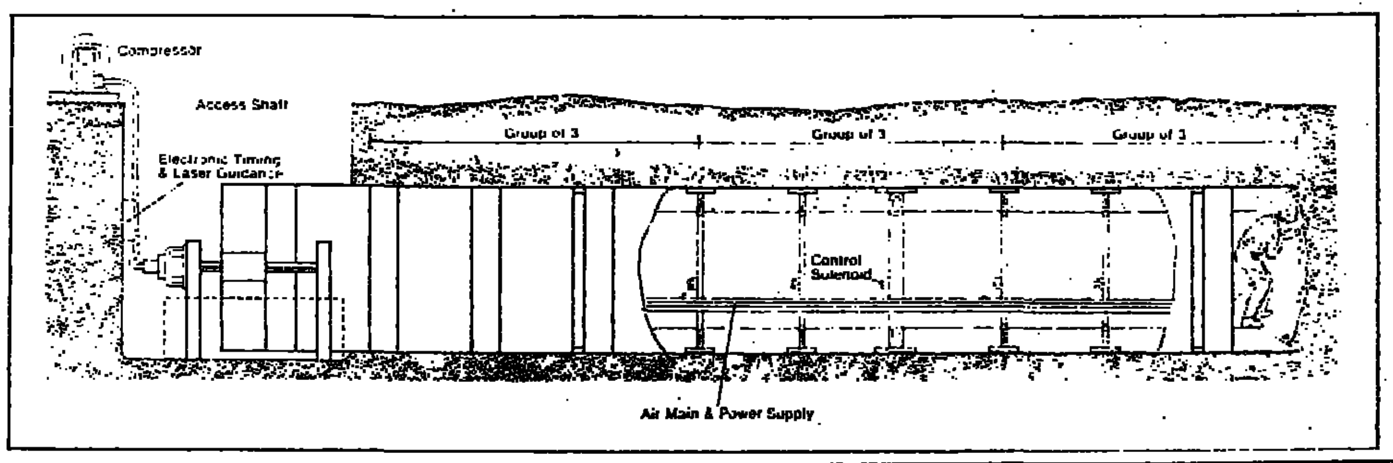
In the construction of the relief combined sewer which will alleviate the regular flooding of properties in Avenue Road, Acton, men are working with a clay spade. Here, muck trolleys carry the spoil through the newly-placed Unitunnel sections to the shaft.

With "hand excavation" adopted at Acton, a rate of 1.3 ins a minute or 6 ft an hour is being achieved.

Mowlem estimates that a speed of four pipes (each about 2 metres long) a shift is within its capabilities by hand, and up to 10 pipes a shift using a digging machine.

But the essence of the scheme is to cause as least disturbance as possible to householders in Avenue Road. This Unitunnel has achieved, with the bonus that residents can now look forward to dry cellars and less loss of sleep, particularly on rainy nights.

DEBORAH PICKERING



Potatoes by computer

COSTING about £40,000 the Loctronic AutoSelector, designed to reduce the cost of processing potatoes, uses a computer linked to a TV camera to scan each potato, decides which are unacceptable for immediate processing and can then size them out of the main stream at rates of up to 10 tons per hour.

The separation system consists of 26 pneumatically operated "fingers" to divide the blemished and unblemished vegetables, while a quality control knob can set the degree of acceptance or rejection according to the needs of the crisper, canner or other producer.

More from Loctronic Graders, Eves Corner, Danbury, Chelmsford, Essex (0245 2156).

Safety analyser

MEDICAL technicians will be interested in a portable electrical safety analyser, designated Model E431F, which weighs only 4kg, and comes from Dynatech Laboratories, Daux Road, Billingshurst, Sussex (0403 3381).

How to hang meat and save with a plastic hook

THOSE TALL, clever Swedish people have thought of a way of getting more meat into London's Smithfield Market.

Lorries bringing to the capital the best of Scottish and Irish beef carry, perhaps, a thousand carcases each, all dangling from heavy steel hooks.

Why not a plastic hook? A. B. Aritmos of Helsinborg wondered. So, the company designed one and now looks to the meat-eating UK as a major market.

Tensile

The plastic hook weighs 900 grams (31.7 ozs) less than the conventional steel hook. This can represent a saving in a typical 1,000-hook lorry of 900 kg (2,000 lbs) thus either cutting transport costs or offering bigger loads.

The plastic hook has a tensile strength of 200 kg (440 lbs). It will slide along rails without lubrication and is unaffected by temperatures between −40°C and 120°C.

It also costs about a third less than a steel hook. Readers hooked on meat should contact Aritmos, PO Box 1443, 2, 5114 Helsinborg, Sweden.

MAX COMMANDER

Frosty units

A RANGE of cold junction compensation units for seven common thermocouple combinations has been announced by Isothermal Technology of Southport, Merseyside. The "Frosty" compensators will sell at about half the price of conventional ones. More from 0704 43830.

Lift table

TREPEL has introduced a non-electrical air-operated lift table which is claimed to be safe in environments where flammable vapours offer a fire risk. Flameproof operation is obtained, says the company, by using rotary vane air motors instead of electrical ones. More from Trepel, New Road, Sheerness, Kent (0795 664581).

WORLD STOCK MARKETS

Easier early Wall St tone

AFTER FRIDAY'S advance, Wall Street adopted an easier tendency early yesterday as the market focused on U.S. economic problems, including predictions that Federal Budget deficits for 1982 through to 1984 would substantially exceed expectations.

The Dow Jones Industrial Average, which gained 8.84 last Friday on declining interest rates, receded 1.71 to 890.98 at 1 pm yesterday. The NYSE All Common Index shed 24 cents to $73.00 and declines led gains by a seven-to-five margin. Trading remained active, although volume recorded of 34.61m *shares was well below Friday's* 1 pm level of 41.80m.

The Government last Friday reported that unemployment rose to 8.4 per cent in November from 8 per cent a month earlier, and yesterday the National Association of Purchasing Management said U.S. economic activity worsened last month.

Some Administration calculations project Budget deficits of $109.1bn for fiscal 1982, $152.3bn in fiscal 1983 and $162bn in fiscal 1984.

Last autumn the fiscal 1982 deficit was estimated by officials at $43.1bn, but more recently it was suggested it could swell to $80bn.

Amax, which rose on take-over rumours last Friday, fell 1½ to $48⅞. Analysts said they doubted that Standard Oil of California, which holds a 20 per cent stake in Amax, planned to increase in the near future its interest in this mineral resources company.

Oil shares were narrowly mixed, with Mobil down ¼ at 25½. The Federal Trade Commission did not request additional information from U.S. Steel on its tender offer for Marathon Oil. Analysts said the FTC decision appears to give U.S. Steel the advantage over rival bidder Mobil, which still is waiting for the Government agency to complete the anti-trust review of its bid for Marathon.

Heavily traded Revlon rose ½ to $31½. The company plans to purchase up to 3m of its shares. THE AMERICAN SE Market Value Index was down 1.60 at 328.52 at 1 pm. Volume 3.67m shares.

Closing prices for North America were not available for this edition.

Canada

Stocks retained a firming tendency in moderate dealings yesterday morning. The Toronto Composite Index was 3.1 higher at 1,992.3 at noon, while Oil and Gas put on 15.5 to 3,875.2. However, Golds shed 6.5 to 3,198.9.

Tokyo

The market gained ground for the fifth consecutive day on selective buying in Blue Chips and High Technology issues, with sentiment encouraged by lower overseas interest rates.

The Nikkei-Dow Jones Average, after rising 43 points in Saturday's half-day session, improved 29.85 more to 7,789.16. The Tokyo SE index, which advanced 3.77 on Saturday, added 1.48 at 573.43. Rises outscored falls on the First Market section by 367 to 255 following a moderate volume of 280m shares.

Trading slowed, with many investors cautious about the fast tempo of price rises, but the market undertone was bullish in anticipation of increased foreign purchases, stock analysts commented. Foreign buying of Japanese stocks in November exceeded selling for the first time in five months.

Large-capital issues, such as Steels, Shipbuilders and Heavy Electric Machines, advanced on domestic institutional buying, although Light Electricals, Precision Instruments and Pharmaceuticals closed mixed on profit-taking after last week's sharp gains.

Interest spread to High Technology issues, such as Optical Fibres, Robot Makers and Machine Tools, but Housings, Constructions and Cements declined on profit-taking.

Kawasaki Steel gained Y6 to Y186, Nippon Steel Y3 to Y135, Toshiba Y7 to Y377, Hitachi Y2 to Y671, Kawasaki Heavy Y5 to Y241, Sumitomo Electrical Y11 to Y591, Toshiba Machinery Y20 to Y590 and Yaskawa Electrical Y13 to Y709.

Pioneer Electronic rose Y40 to Y1,890 and Ricoh Y10 to Y654, but Sony fell Y30 to Y3,950. Matsushita Electronic Y10 to Y1,240 and Canon Y8 to Y952.

Australia

One of the best on-shore oil strikes in Australia boosted the market yesterday and set the scene for another rally. The *Australian All Ordinaries* index, reflecting a firmer tendency in most sectors, climbed 8.1 to 609.7. The Oil and Gas index featured strongly with a rise of 37.0 to 675.2.

The Cooper Basin well, Jackson No. 1, flowed 2,500 barrels a day of 39 degree API oil in a test from the Jurassic Hutton sandstone zone, and the news, anticipated by the market, produced sharp share advances for companies with a major interest.

Santos, with a 40 per cent stake, moved ahead 40 cents to A$6.40, while Vamgas rose 40 cents to A$11.20 and Ampol Exploration 25 cents to A$3.50. CSR, which holds a 32 per cent interest through Delhi, put on 12 cents to A$3.90. Claremont, holder of a 10 per cent interest, jumped 55 cents to A$1.28, while Oil Co. of Australia closed 6 cents stronger at 49 cents.

Rumours of a revised bid by the Bell Group and speculation about the entry of another big buyer for Herald and Weekly Times stock swept the market after the crossing of 2.1m Herald shares in Melbourne. Herald rose 30 cents to A$3.20, but major Herald shareholders, John Fairfax, eased 5 cents to A$1.85.

Germany

Trading was much quieter than of late, but the market closed with a firm bias, helped by a series of purchasing orders by foreign investors during the second half of the session. The Commerzbank index rose 3.4 to 701.6.

AEG, continuing to benefit from the signing last week of a telecommunications joint venture with Mannesmann, up DM 2.50 at DM 162.50, and other companies, advanced DM 3.50 to DM 52. Elsewhere in Electricals, Siemens rose DM 2.50 to DM 212.50.

Steels concern Thyssen, which retreated DM 2.40 last Friday on announcing that it will recommend a cut in dividend for the year ended September 30, rebounded DM 3.10 to DM 66.50.

Public Authority Loans posted modest gains ranging to 20 pfennigs. The Bundesbank sold DM 3.9m of paper after selling DM 48.1m on Friday.

Paris

Supported by continued demand from buyers keen to benefit from tax concessions under the Monory Law, Bourse prices remained firmer-inclined in moderate activity. Last week's interest rate cuts in Europe and the U.S. also helped sentiment.

Hong Kong

The 1 percentage point cut in local interest rates, announced last Friday, buoyed shares initially, but the market did not sustained its early enthusiasm and drifted down to make an easier showing on balance at midday. However, buying picked up during the afternoon session and most stock prices ended higher on the day.

The Hang Seng index was finally 13.90 ahead at 1,423.82. Business was only moderate, with turnover totalling HK$218.11m on the four exchanges, but this exceeded Friday's HK$171.83m.

Hong Kong Telephone added 80 cents at HK$24.50, China Light 30 cents at HK$12.30, Cheung Kong 40 cents at HK$22.70, Jardine Matheson 50 cents at HK$18.40 and Hutchison Whampoa 40 cents at HK$18.40.

NEW YORK

CANADA

BELGIUM (continued)

HOLLAND

AUSTRALIA

JAPAN (continued)

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SINGAPORE

SOUTH AFRICA

SWEDEN

GERMANY

AUSTRIA

SWITZERLAND

BELGIUM/LUXEMBOURG

BRAZIL

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

NY. S.E. ALL COMMON

MONTREAL

TORONTO

NEW YORK ACTIVE STOCKS

Danish farm incomes decline

By Hilary Barnes in Copenhagen

THE AVERAGE Danish farm family had to borrow 38,000 krona in the year ending in June in order to cover family living costs, according to a report by the ministry of agriculture's institute of agricultural economics.

Farm family private consumption spending averaged Kr 77,000, but net farm incomes, after tax, were only Kr 39,000, a decline of Kr 10,000 from the previous year.

As property prices also fell, average equity capital per farm fell by Kr 100,000 and the ratio of debt to equity rose from 32 per cent to 38 per cent.

Young farmers did exceptionally badly as they were burdened by high interest costs on investment programmes. Gross operating profits for farmers under the age of 35 averaged Kr 103,000 but net interest payments came to Kr 162,000, while for farmers aged 35 to 44 the operating profit was Kr 116,000 and interest costs Kr 127,000.

The institute said that there would be some improvement in the farmers' situation next year, with farm gross factor incomes increasing by about 30 per cent. but in real terms this would still leave the average farm with an income which was 20 per cent below the level of 1976-77.

Israeli citrus packing halted

WORK IN Israeli citrus packing houses ground to a halt yesterday in the absence of fruit resulting from the suspension of picking last week.

Growers are pressing the government for a subsidy (as a grant or a cheap loan) of $50m claiming that their costs have far outstripped the yield in shekels due to the weakness in European currencies.

The government is apparently prepared to meet them halfway. The suspension of picking has been timed well — there is usually a lull of a fortnight in loading between December 7 and 20 due to the closure of outlets over Christmas and the New Year. However, the total suspension of picking will also close all fruit processing plants which turn out citrus products for export to the tune of $150m annually.

Reuter

Base metals ease

BY ROY HODSON

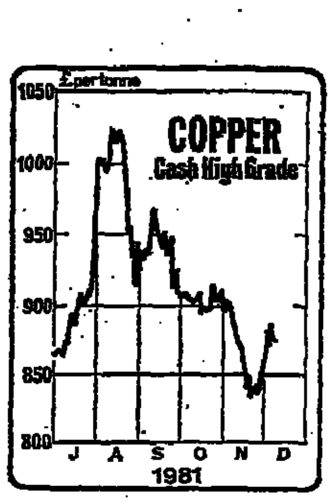
MOST base metal prices fell in London Metal Exchange trading yesterday as markets consolidated after price rises last week.

Copper and zinc both registered appreciable falls. Cash copper wirebars closed at £875.25 a tonne, a fall of £12.75 on the day. Cash zinc lost £12.25 during the day's trading to finish at £415.50 a tonne. Stocks of copper in the LME warehouses rose 3,000 tonnes to 113,050 tonnes last week while zinc stocks fell 1,300 tonnes to 76,850 tonnes.

Low copper prices are being blamed in Zambia for notional losses of more than $25m a month by the two state-run copper companies. Mr David Mwila, chairman of the Zambian Mineworkers' Union, said the monthly losses represented the current gap between world copper prices and what the industry would deem to be realistic prices.

Meanwhile, the instability of the world zinc market during recent trading was discussed in Bonn by Mr Guenther Sassmanshausen, managing board chairman of Preussag. Recently West German zinc producers have been lowering their prices to the level of other big European and American producers. He forecast that the market would probably start to stabilise again in about three months time.

Stocks of aluminium held in LME warehouses rose to a new record level of 150,475 tonnes last week. Aluminium for cash fell by £5.50 yesterday in London to close a £585 a tonne.



United States purchases of Jamaican bauxite next year (some of it for the U.S. strategic stockpile) will be paid for by a mixture of cash, barter and exchange, Mr Edward Seaga, the Jamaican prime minister, said in New York. However the U.S. sales are not expected to make up for an expected reduction in the 1982 output of companies mining bauxite in Jamaica.

Tin trading in London was relatively quiet yesterday with cash tin closing at £8,352.50 a tonne after a fall of £12.50 on the day. LME tin stocks fell by 1,940 tonnes to 16,760 tonnes last week. Nickel was the only base metal to trade higher in London. The closing price of £2,892.50 was £92.50 up on the day partly as a result of speculative trading and partly a reaction to Inco's further production cuts in Canada.

LME nickel stocks fell 132 tonnes last week to 2,010 tonnes; lead stocks fell 425 tonnes to 49,775 tonnes; and silver stocks rose 190,000 ozs to 31,250,000 ozs.

Russian imports may rise

WASHINGTON — Russia will be forced to import increased quantities of certain minerals in the 1980s as the growth rate in domestic production declines from past levels, according to a U.S. government study, to be released soon.

A summary of the study by three Bureau of Mines analysts showed that Russia most likely will purchase more copper, lead and zinc from the west during the 1980s, partly to supply its satellite nations in Eastern Europe. But Russia is not expected to become overly dependent on the imports.

"With the clear exception of a few precious and strategic metals, growth rates in Soviet output of most non-fuel minerals are anticipated to decline from past rates," the study said.

"This will force Moscow to re-evaluate choices among providing for increased domestic consumption, maintaining exports to its Eastern European satellites and continuing to export selected non-fuel minerals for hard currency," it said.

French plan farm aid package

BY DAVID WHITE IN PARIS

A controversial new package of French farm subsidies, expected to be in the region of $1bn, is due to be announced during a decisive second round of talks between the Government and farmers' unions, starting today.

The Socialist-dominated administration finds itself in the same position as its predecessor a year ago, running the gauntlet between farmers' demands and the rules of the EEC.

The latest set of subsidies, likely to be considerably larger than last year's FFr 4.1bn ($730m), will go much further than the previous package towards favouring small farmers.

The aid is designed to offset farmers' revenue losses for the year—that is, the extent to which EEC prices have failed to match the increase in farmers' costs. But the Government has made clear it intends to distribute the aid on a selective basis.

This stance is likely to meet with tough opposition from the giant farmers' union federation, the FNSEA, which until the change of government played a semi-official role as the sole negotiator for the farm sector in the annual talks.

Today's talks, presided by M Pierre Mauroy, the Prime Minister, will also bring in three smaller union bodies, of varying political affinities.

The French Government aims to reserve direct handouts—the most contestable part of the package in the eyes of France's EEC partners—to farmers in difficulty and to the lowest income bracket. In addition it proposes to subsidise interest payments for farmers carrying an excessively heavy burden of debt.

According to government figures, the overall loss of income this year will be around FFr 2.4bn—including in the revenue calculation the FFr 4.1bn received in aid with respect to 1980. The farmers reject this basis of calculation and claim the loss is much higher. The FNSEA, taking the strongest line, puts the figure at FFr 9.7bn.

Gold 'floor' members picked

By John Edwards, Commodities Editor

SEVERAL overseas banking companies and commission houses have won "floor" membership seats on the planned London gold futures markets. Of the 38 seats available, 31 have been allocated to the ring-dealing members of the London Metal Exchange and the London bullion brokers, who have jointly sponsored the new market.

The remaining seven seats went to J. Aron, the well-known U.S. precious metal dealers; Trade Development Bank of Geneva, a major European gold dealer linked with Republic National Bank; New York London Futures, a wholly owned subsidiary formed by Citibank; Shearson/American Express; Merrill Lynch; Bache; and Dean Witter Reynolds.

Cost of the "floor" seats £55,000 each, plus VAT and they cannot be resold for three years. In addition "floor" members have to guarantee continuing a proper trading operation meaning a substantial additional cost. Non-floor memberships, which cost £10,000 each, are still available.

London futures trading falls

By Our Commodities Editor

TOTAL number of contracts traded on the London futures market, which use the International Commodities Clearing House system, dropped in November to 241,610 compared with 369,572 in November last year. The number of contracts traded for the first 11 months of the year was 3,576,074 against 4,135,107 during January-November 1980.

Reflecting the depressed prices of commodities this year, 11-month value of sterling contracts fell to £31,718m, compared with £54,245m for the same period of 1980. But gas oil futures traded accounted for a further $3.954m and New Zealand wool futures for another NZ$103m.

WORLD MEAT MARKET

UN plans production cash aid boost

BY BRIJ KHINDARIA IN GENEVA

INVESTMENTS WORTH $130m are likely to be made in African and Latin American countries to promote meat production and exports under UN programmes currently being finalised in Geneva and Rome.

Government officials from meat producing and consuming countries decided at talks in Geneva that investment requests submitted to them by African and Latin American governments last week should be expanded into feasible projects. African countries are seeking $58.9m and Latin Americans want $70.8m to reduce meat production costs and improve research facilities.

The projects will be finalised by the Geneva-based UN Conference on Trade and Development (Unctad) and the Rome-based Food and Agriculture Organisation (FAO) which will then seek funds from the World Bank and other sources associated with the UN system.

In a separate decision, the officials asked Unctad's committee on Commodities to consider preparation of a new international agreement to stabilise markets for hides and skins separately from meat.

A committee decision to authorise negotiation for such an agreement will have a big impact on the hides and skins trade which is currently estimated at $3bn a year, putting it in the select group key agricultural commodities. The better-known cocoa trade is also valued at $3bn yearly while rubber stands at $4bn and cotton at $7bn. Jute and hard fibres which have long been subjects of international negotiations for commodity pacts provide only $200m and $130m of world trade respectively.

Combined with meat, trade in hides and skins could rival the $12bn level for coffee, but Unctad has already decided that discussions on meat should do no more than promote research, increase exports and encourage cost-cutting production methods.

The officials decided that for the time being Unctad has done all it can concerning meat, which is one of 18 commodities included in a far-reaching Unctad programme to create international commodity agreements to stabilize markets.

Seminars held earlier this year in Asia, Latin America and Africa unanimously recommended that hides and skins be separated from meat and added to Unctad's programme for commodity agreements. The need for separation was felt because discussions concerning the meat market are already held in an International Meat Council created by the General Agreement on Tariffs and Trade (Gatt) as part of the Tokyo round trade package agreed in December 1979.

As a result, government officials in the Unctad body discussing meat felt that a separate Unctad-sponsored agreement on meat was unnecessary. But developing country governments called for a separate arrangement for hides and skins, which are important foreign exchange earners.

Hides and skins are seen as a potentially important area for international co-operation especially among developing countries. Although some countries would like a classic price stabilisation agreement to set their earnings on a rising curve, most exporters emphasise the need for investment funds to improve leather products.

Since Unctad's overall commodity programme has become bogged down in bickering over whether price stabilisation agreements — which interfere with free market forces—are desirable, an increasing number of countries have begun to see the programme as a means of acquiring money and technology needed to improve output and quality especially of agricultural products.

The money would normally come from the World Bank, the United Nations Development Programme (UNDP) and the countries would like a classic $350m second account of a $750m financial fund expected to come into operation under Unctad Sponsorship in 1983. About $255m has so far been pledged by governments to that second account but demands on it are piling up.

Red meat output increases

WASHINGTON—Red meat production in the main producing countries in 1982 is forecast at nearly 81m tonnes, up 0.5 per cent from 1981, but down from the 81.3m tonnes produced in 1980, the U.S. Agriculture Department said.

In a foreign agriculture circular on meat and livestock, the USDA said higher beef output in the U.S. and Mexico is expected to offset a significant production fall in Argentina and lower pork output in the U.S. and other countries.

Cattle numbers in the 50 producing-trading countries included in the circular are forecast at 947m head at the beginning of 1982, up 0.4 per cent from 1981 and after a 0.5 per cent rise in 1980.

The USDA said generally weak economies in many developed countries and relatively higher poultry meat consumption are discouraging red meat demand, resulting in weaker prices and less international trade.

Total consumption in the specified countries is forecast at 79.9m tonnes in 1982, up from 79.6m tonnes this year but below the 80.4m tonnes consumed in 1980, it said. Imports by the countries in 1982 are projected at 6.4m tonnes, little changed from 6.44m this year, but down on 6.5m imported in 1980.

Reuter

Rise in Italian turkey exports

By Sara Evans

ITALIANS eat twice as much turkey as the British, even allowing for the traditional Christmas boost to turkey sales, according to a report published today. Italy is also second only to the U.S. in production of turkey, with an output last year of 225,000 tonnes, well ahead of France, and the UK (122,000 tonnes).

The report, from the Department of Agricultural Economics at the University of Manchester highlights evidence of Italy's increasing activity in exporting turkey-meat.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES lost ground on the London Metal Exchange, with the notable exception of Nickel which moved ahead to close at £2,915, three months, reflecting speculative buying and the fall in sterling against the dollar. Copper, Lead and Zinc closed at £893, £350 and £426 respectively, with Zinc again depressed by Friday's producer price cut by Asarco all three markets rallied from the day's lows with European consumer buying a feature of Lead trading. Aluminium dipped to £605 on the stocks rise but subsequently rallied to close at £610.5. Tin traded between £8,080 and £8,130 three months, closing at £8,120.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
HighGr de				
Cash	874.5-5	-4.5	875-.5	-12.7
3 mths	895-.5	-1.5	894-5	-10.2
Settlem't	875	-5	—	......
Cathodes				
Cash	871-.5	-2.25	870-2	-12
3 months	891-2	-.25	890-2	-8.25
Settlem't	871.5	-2.5	—	......
S. Prod	—	......	*78-84	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £875.00, three months higher grade £901.00, 900.00, 899.00, 98.00, 99.00, 99.50, 900.00, 898.00, 95.00. Standard cathodes, cash £871.50. Kerb: Higher Grade, three months £896.00, 97.00, 96.50, 97.00. Afternoon: High Grade, cash £875.00, three months £896.00, 96.50, 97.00, 95.50, 95.00, 94.00, 95.00, 94.50. Kerb: Higher Grade, three months £895.50, 96.00, 95.50, 95.00, 94.00, 93.50. Turnover: 27,775 tonnes.

Tin—Morning: Standard, late-Feb £8,300, three months £8,150, 40, 30, 8,100. Kerb: Standard, cash £8,380, 70, three months £8,100, 10, 2,010. Afternoon standard cash £8,350, med Feb £8,370. Three months £110, 00, 8,090, 8,100. Kerb: Standard, three months £8,110, 20. Turnover: 4,975 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8350-400	+17.5	8350-5	-12.5
3 months	8100-10	-20	8100-20	-15
Settlem't	8400	+40	—	......
Standard				
Cash	8350-400	+17.5	8350-5	-12.5
3 months	8100-10	-20	8100-30	-15
Settlem't	8400	+40	—	......
Straits E.	$35.34	-0.12	—	......
New York	—			

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	335-.5	-5.5	337.5-8.5	-6
3 months	346-.5	-5.5	348-.5	-5.75
Settlem't	336.5	-5.5	—	......
U.S. Spot	—	......	*32-6	......

Lead—Morning: Three months £346.00, 47.00, 48.00, 47.00, 47.50, 47.00. Kerb: Three months £348.00. Afternoon: Three months £347.00, 48.00. Kerb: Three months £348.00, 49.00, 50.50, 51.00, 50.00, 49.00, 49.50, 50.00. Turnover: 10,050 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	413-4	-14	415-6	-12.2
3 months	423-.5	-12	425-.5	-10
S'ment	414	-14	—	......
Primw'ts	—	—	*44-50	......

Zinc—Morning: Three months £427.00, 25.00, 24.00, 23.50. Kerb: Three months £424.00, 23.00, 22.00. Afternoon: Three months £423.00, 24.00, 25.00, 26.00, 26.50, 26.00, 25.50. Kerb: Three months £425.00, 26.00, 26.50, 27.00, 28.00, 27.50, 27.00, 26.50. Turnover: 12,225 tonnes.

Aluminium—Morning: Cash £584.00, three months £607.00, 08.00, 07.00, 06.00. Kerb: Three months £606.00. Afternoon: Three months £606.00, 05.00, 06.00, 06.50, 07.00. Kerb: Three months £606.00, 608.00, 09.00, 10.00, 10.50. Turnover: 15,125 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	585-4	-.25	584.5-5.5	-5.5
3 months	606-.5	+1.5	606-7	-4.75

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2855-60	+80	2890-5	+92.5
3 months	2860-75	+88	2890-900	+97.5

Nickel—Morning: Early-Feb £2,840, three months £2,855, 50, 55, 60. Kerb: Three months £2,880. Afternoon: Cash £2,880, 80, three months £2,860, 65, 70, 75, 85, 2,910, 2,900, 2,895. Kerb: Three months £2,900, 2,890, 95, 2,900, 2,910. Turnover: 1,188 tonnes.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 2.25p an ounce lower for spot delivery in the London bullion market yesterday at 446.25p. U.S. cent equivalents of the fixing levels were: spot 868.2c, down 6.8c; three month 893.1c, down 6.3c; six-month 921.9c, down 6.2; and 12-month 986.2c, down 6.2c. The metal opened at 448-449p (868-873c) and closed at 445-449p (867-872c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	446.25p	-2.25	448.5p	-8.50
3 months	461.55p	-1.55	463.5p	-8.25
6 months	478.00p	-1.60	—	......
12months	512.00p	-1.00	—	......

COCOA

Volume of trading was light and tone lethargic today with cocoa futures easing £15 below previous closing levels before a weak rally during the final call, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
Dec	1145-47	-13	1155-45
March	1139-41	-10.5	1148-34
May	1146-47	-13	1157-41
July	1164-55	-12	1161-50
Sept	1159-65	-12.5	1167-58
Dec	1175-77	-14.0	1186-77
March	1180-87	-11.5	—

ICCO—Daily price for Dec 7: 96.72 (2,132.29). Indicator five-day average price for Dec 8: 96.43 (2,125.93) U.S. cents per lb with U.S. dollar per tonne equivalent.

COFFEE

Mixed buying interest during a quiet opening call prompted early gains of £8-£12, reports Drexel, Burnham, Lambert. Prices remained locked in a narrow range until a steady C market provided additional incentive to continue the upward momentum in light volume.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Jan	1097-00	+12.0	1105-95
March	1085-85	+15.0	1088-78
May	1072-73	+10.0	1079-71
July	1070-72	+10.0	1075-70
Sept	1070-73	+10.0	1078-70
Nov	1065-69	+8.0	—
January	1067-70	+9.5	—

WOOL FUTURES

SYDNEY GREASY WOOL—Dec 485.5, March 493.0, May 507.0, July 515.0, Oct 512.0, Dec 517.0, March 520.0, May 526.0.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 385, buyer, nil; Jan 369, 370, nil; March 378, 380, 379, only 6; May 387, 388, 389, 388, 8; Aug 403, 404, 404, 403, 33; Oct 404, 405, 406, 405, 11; Dec 410, 412, 411, 410, 18; Jan 412, 80R, 414, 413, 23; March 422, 424, 424, 423, 11; May 430, 433, 431, only 10. 120 lots.

GAS OIL FUTURES

A weaker opening, caused by the further fall in physical prices, touched off stop-loss selling which pushed the market to its lows. Prices later firmed in steady volume.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
December	318.50	-2.50	318.00-18.00
January	318.75	-2.50	318.50-18.00
February	318.50	-3.00	319.75-1-.25
March	317.75	-2.75	319.00-17.75
April	316.25	-1.75	—
May	316.00	-2.00	317.00-15.50
June	316.00	-1.50	317.00-16.00
July	317.00	—	317.00-17.00
August	316.00	-4.00	—

GRAINS

The market opened unchanged all positions and made early gains in quiet trade, but closed at lunch around unchanged. The afternoon session continued quietly easier to find some support late in the session, closing around 15p down to 5p up, Acli reports.

GRAINS

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
Jan	108.05	-0.55	104.05	—
Mar	111.05	-0.40	107.05	-0.05
May	114.50	—	109.95	—
July	117.35	+0.05	—	—
Sep	105.95	+0.05	101.05	—
Nov	109.40	—	104.90	—

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent Dec 11C, Jan 116.25, trans shipment east sellers: U.S. Hard Winter 13½ per cent unquoted: EEC unquoted. English feed for Dec 110 paid South Coast. Maize: French first half Dec 128.50, second half Dec 129.50, Jan 131 quoted transhipment East Coast. S. African white/yellow Dec 83. Barley: English feed fob Dec 106.75, Jan 108.25 paid East Coast.

RUBBER

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Jan	52.20-52.50	52.50-53.00	52.60
Feb	52.20-52.50	52.60-52.70	—
Jan-Mar	52.30-52.40	52.60-52.70	52.70-52.40
Apl-Jne	55.60-55.70	55.90-56.00	56.10-55.50
Jly-Sept	58.70-58.80	59.00-59.10	59.20-58.80
Oct-Dec	61.90-62.50	62.20-62.30	62.30
Jan-Mar	65.10-65.20	65.40-65.50	65.10
Apl-Jne	68.20-68.50	68.50-68.40	68.60-68.20
Jly-Sept	71.20-71.40	71.50-71.50	71.40

SOYABEAN MEAL

The market opened steady but found lack of fresh buying at higher levels, reports T. G. Roddick. Prices drifted and continued to erode with profit-taking easing prices which closed around £1 lower on the day. Sales 100 tonnes (78).

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
December	129.90-30.2	+0.70	131.00-30.00
February	130.00-30.2	+2.80	131.50-29.30
April	131.70-32.0	+3.80	134.00-3.200
June	132.80-32.8	+2.70	134.00
August	135.00-34.5	-1.70	—
October	134.50-36.0	+0.50	—
Dec	135.00-33.0	+2.50	—

COTTON

Liverpool—Spot and shipment sales amounted to 70 tonnes. Minor operations were fixed up, but the volume of demand was by no means light. Customers seemed anxious to replenish stocks, despite the continual decline in average prices. Most of the offtake centred on Middle Eastern and African supplies.

SUGAR

Statements by the Cuban sugar minister during the weekend that their harvest would be the largest since the revolution produced an easier tone. Losses of £3 from pre-weekend levels were recorded before improving New York quotations later enabled half the losses to be recovered, reports C. Czarnikow.

No.4 Con-tract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Jan	164.00-66.00	166.80-65.50	166.85-65.00
March	167.70-67.00	167.60-67.80	169.50-66.00
May	169.50-69.70	170.00-70.10	171.00-68.80
Aug	172.50-72.40	172.45-72.75	175.50-70.50
Oct	177.00-77.25	177.25-77.50	178.00-76.50
Jan	171.00-78.00	178.50-78.00	—
March	185.00-85.50	182.00-84.00	186.00-81.00

International sugar agreement: U.S. cents per lb fob and stowed Caribbean port. Prices for Dec 4, daily price 12.38; 15-day average 12.14.

JUTE

JUTE—Dec c and f Dundee BWC £283, BWD £26, BTB £333, BTC £286, BTD £230. Antwerp cnf BWC $525, BWD $430, BTB $813, BTC [illegible], BTD $435. Dundee Dec 40/1040 £0.42, 40 7.5 oz £7.25, B Twills £28.73. i 5;bwc/2 ETA 7890 [illegible]

TEA AUCTION

LONDON TEA AUCTION—32,656 packages were offered in yesterday's auction. All descriptions were firm to dearer except plainer Assams, which were irregular and sometimes lower. Quotations: Quality 118p per kilo (120p), Medium 109p per kilo (109p), Plain 80p per kilo (79p).

POTATOES

LONDON POTATO FUTURES—Dec 7. Market continued firm despite some profit-taking and firmness generally on anticipated official supply/demand statistics which are expected shortly. Closing prices Feb 91.70 +120 (high 91.50, low 90.00), April 104.20 +230 (high 104.20, low 103.00). Nov 68.00, +10 (high 68.50, low 68.00). Turnover 449 (103) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD: Pence per pound. Beef: Scotch killed sides 80.5-85.8; Eire hindquarters 94.0 to 97.2, forequarters 60.5 to 62.5. Veal: Dutch hinds and ends 127.0 to 130.0. Lamb: English small 76.0 to 85.0, medium 79.0 to 83.5. Imported frozen: New Zealand PL 62.0 to 63.0. Pork: English, under 100lb 47.0 to 56.0, 100-120 lb 46.5 to 54.8, 120-160 lb 42.2 to 53.5.

MEAT COMMISSION — Average fatstock prices representative markets for December 5. GB: Cattle 98.44p per kg lw (+2.01). UK sheep 182.68p per kg est dcw (+10.38). GB Pigs 79.99p per kg lw (+0.38).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated: Imported Produce: Oranges—Moroccan: Navels 48/113 4.20-4.50; Outspan: Valencia Lates 48/56/72 4.40, 88 3.60, 112 3.30, 138 3.25, 150 3.25; Spania: Navels/Navelinas 42/130 4.00-4.80. Clementines—Spania: 4.00-4.60; Moroccan: 2/6 3.50-4.50. Satsumas—Spania: 3.20-3.60. Lemons—Outspan: 88/162 4.50-6.00; Cypriot: 3.30-4.50; Jaffa: 125/150 5.00-5.26; Italian: 80/150 4.50-5.00; Spania: 40/50 2.40-2.50. Grapefruit—U.S.: Pink 32/48 7.00-8.00; Cypriot: large cartons 3.60-4.60, small cartons 2.80-3.40; Cuban: Pink 2.00-2.50; Jaffa: 36/58 3.80-4.55. Apples—French: New crop; Golden Delicious 20 lb 3.30-3.60, 40 lb 6.50-7.50, Starkcrimson 40 lb 7.00-8.00, 20 lb 3.40-4.40, Granny Smith 7.50-8.50; Canadian: Red Delicious 9.00-11.00; U.S.: Red Delicious 9.00-13.00; Hungarian: Starking 7.00; Dutch: Cox's 26 lb 4.80-5.20. Pears—Dutch: Comice 14 lb 3.80-3.90, Conference, per pound 0.14-0.16. Peaches—Zimbabwean: 4.50-5.50; South African: 4.50-5.50. Apricots—South African: per pound 1.00. Plums—U.S.: per pound 0.48-0.50; South African: Santa Rosa, per pound 1.30. Grapes—Spanish: Almeria 11 lb 2.20-3.00, Negra 3.20-4.00; Italian: Italia 2.50-3.00; U.S.: Almeria per pound 0.50, Red Emperor 0.70. Cherries—South African: per pound 1.00-1.30. Strawberries—Kenyan: 8 oz 0.50-0.60; New Zealand: 8 oz 1.30; Israeli: 1.00. Lychees—Mauritius: per pound 1.20-1.25; South African: 1.25. Melons—Spanish: 10 kilos, green 5.00-7.00. Pineapples—Ivory Coast: each 0.40-1.00. Bananas—Colombian: per pound 0.18-0.19. Avocados—U.S., large box 5.50-6.00, small box 2.50; Israeli: 4.00-4.20; Canary: large box 5.00, small box 4.00. Mangoes—Kenyan: 8/16 5.00, Brazilian: 8.00-8.50. Pomegranates—Israeli: 3.30-3.60. Dates—Tunisian: 30 0.50-0.60; U.S.: 0.4-0.45. Figs—Turkish: 48 x 8 oz 0.10-0.20. Tomatoes—Dutch: 3.80-4.00; Spanish: 2.00-3.30; Canary: 2.20-3.60. Onions—Spanish: Grano 3/5 3.50-4.40. Capsicums—Dutch: 5 kilos, red 5.50, yellow 6.00-6.50; Canary: green 4.00-4.20, red 5.20. Cabbages—Dutch: white 2.80, red 3.00. Celery—Israeli: 3.80; Spanish: 3.00-3.30. Chillies—Dutch: 3 kilos 4.50. Carrots—Dutch: 20 lb 2.10, pre-pack 3.00-3.20. Lettuces—Dutch: 24 2.80-3.00; French: Batavia 4.50-5.00. Cucumbers—Canary: 2.60-2.80. Chicory—Belgian: 3 kilos 2.40-2.60. Endive—French: 5.00. Fennel—French: 9 lb 3.50-4.00; Italian: 5.00. New Potatoes — Jersey: per pound, Royal 0.12; Canary: 28 lb ware 5.00, mids 6.00; Italian: 0.17-0.18; Cypriot: 5.00. Asparagus—New Zealand: per pound 2.50-3.30; South African: 1.80-2.00. Artichokes—Spanish: 24s 10.00. Aubergines — Canary: 5.00; Cypriot: 5.00. Chestnuts—Italian: 5 kilos 2.50-4.50; Spanish: 5 kilos 2.50-4.50. Walnuts—Chinese: per pound 0.44-0.45; U.S.: 0.60. Brazils—per pound 0.40-0.42. Filberts—per pound 0.38-0.40. Almonds—per pound 0.48-0.50. Pecans—per pound 0.85-1.00. Muscatels/Almonds — Spanish: 8 oz 0.45.

English Produce: Potatoes—per 55 lb, white 2.00-2.50, red 2.50-2.80, King Edward's 2.80-3.00. Mushrooms—per pound, open 0.40-0.60, closed 0.60-0.70. Apples—per pound, Bramley 0.2, Cox's 0.20-0.26, Spartan's 0.20-0.25, Russets 0.15-0.25. Pears—per pound, Conference 0.14-0.20, Comice 0.18-0.24. Cauliflowers—per 12, Kent 3.60-4.50, Lincoln 3.00. Cabbages—per 30-lb bag, Primo/Jan. King 1.00-1.30. Lettuces—per 12, round 1.20-1.60. Radishes—per 12 x 8 oz pack 1.40. Onions—per tray x 20 bunches, spring 2.00, 55 lb 40/60mm 2.0-2.60. Carrots—per 26/28 lb 0.70-1.00. Beetroots—per 28 lb, round 0.80-1.20, long 1.20. Parsnips—per 28 lb 1.20-2.00. Swedes—per net 0.70-1.00. Leeks—per 10 lb 1.00-1.50. Sprouts—per 20 lb 1.20-2.40. Turnips—per 28 lb 1.20-1.40. Celery—per 16/36, Massey 3.50-4.00. Brussels tops—per 25 lb 1.20-1.40. Spring greens—per 25 lb 1.60-1.80. Savoys—per 25 lb 1.00-1.20. Rhubarb—per 14 lb 3.80-4.00.

★

GRIMSBY FISH: Supply fair demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5-£5.50, codling £3-£4.50, large haddock £3.60-£4.60, medium haddock £3-£3.60, small haddock £1.70-£2.10, medium plaice £5.60, best small £4, skinned dogfish (medium) £2.50, lemon soles (large) £13.50 (medium) £12, rockfish £4, reds £2-£2.80, saithe £2.20-£3.30.

PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 7 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1120/50	......	$1100/150
Copper			
Cash h grade	£875.25	-12.75	£899.75
3 mths	£894.5	-10.25	£928.75
Cash Cathode	£871	-12	£894
3 mths	£891	-9.25	£923
Gold troy oz	$416.5	-9	$429.25
Lead Cash	£358	-6	£371.25
3 mths	£348.25	-5.75	£385.25
Nickel	£3678.59	......	£4,159.5
Free mkt	240/290c	+0.15	221/30c
Platin'mtr'y oz	£260	......	£260
Freemkt	£213.65	-2.85	£221.30
Quicksilvert	$420/425	......	$422/427
Silver troy oz	446.25p	-2.25	482.90p
3 mths	461.55p	-1.35	501.20p
Tin Cash	£8,358.5	-12.5	£8205
3 mths	£8,110	-15.5	£8500.5
Tungsten22.01lb	$137.32	......	$141.65
Wolfrm 22.04lbs	$124/128	-3	$133/138
Zinc Cash	£415.5	-12.25	£496.5
3 mths	£425.25	-10	£511.25
Producers	$920/50	......	$1000
Oils			
Coconut (Phil)	$555y	......	$580
Groundnut	$765w	......	£800
Linseed Crude	‡	......	£460
Palm Malayan	$492.5x	......	$510
Seeds			
Copra Philip	$550	+2.5	$355
Soyabean (U.S.)	$262.5	+3.75	$264.5
Grains			
Barley Fut. Mar	£107.05	-0.05	£103.90
Maize	£128.5	......	£127.25
Wheat Fut. Mar	£111.40	-0.15	£108.90
No2 HardWint	‡		‡
Other commodities			
Cocoa ship't *	—	......	£1,228
Future Mar.	£1140	-10.5	£1155.5
Coffee Ft' Mar	£1097	......	£1148.5
Cotton A.Index	68.30c	......	74.85c
Gas Oil Jan.	$318.50	-2.75	$322.5
Rubber (kilo)	52.75p	+1.25	56.5p
Sugar (Raw)	£158w	+3	£157
Woolt'ps 64s kl.	369p	-1	380pkilo

‡ Unquoted. w Dec-Jan. x Jan. v Nov-Dec. † Per 76-lb flask. * Ghana cocoa. n Nominal. § Seller.

AMERICAN MARKETS

NEW YORK, December 7.

TECHNICAL SELLING and margin liquidation in livestock put the entire complex limit-down. Grains and soyabeans sold off sharply on negative demand news. Precious metals sold off early on the weakness in foreign currencies, but the subsequent rally based on trade buying could not hold in gold. Silver finished mixed on limited trade support. Sugar advanced moderately on light physical inquiry. A sharp increase in coffee prices was a result of a very tight spot supply situation, and ICO delays in expanding export quotas. Cocoa was moderately lower on light commission house selling. Heating oil declined on technical selling and forecasts of milder weather in the east. Copper closed moderately lower in sympathy with the precious metals, and on recessionary news, reported Heinold.

Orange Juice — Jan 123.65-123.75 (124.95), March 124.75 (126.10), May 126.10, July 127.20-127.40, Sept 128.30-128.50, Nov 129.30-129.50.

¶Silver—Dec 866.5 (883.5), Jan 895.0 (894.7), Feb 900.2, March 908.0, May 931.0, July 948.0, Sept 967.5, Dec 997.0, Jan 1006.7, March 1026.2, May 1045.7, July 1065.7, Sept 1064.7.

Soyabeans—Jan 650½-651½, March 657-666, May 682½-681, July 695-696, Aug 698, Sept 696, Nov 638, Jan 712½, March 729½.

CHICAGO, December 7.

‖Soyabean Meal—Dec 192.5 (196.3), Jan 193.5-193.2 (196.9), March 196.3-196.2, May 198.0-198.3, July 200.5, Aug 201.0-201.5, Sept 202.5-203.0, Oct 201.0, Dec 204.5.

‡‡Maize — Dec 258¼-259 (265¼), March 277¼-277¾ (285), May 288¾-288, July 294-294½, Sept 297¾-298, Dec 302¾-303.

Soyabean Oil — Dec 19.99-20.00 (20.29), Jan 20.27-20.25 (20.56), March 20.85, May 21.45-21.44, July 21.95, Aug 22.10, Sept 22.20-22.25, Oct 22.30-22.35, Dec 22.80, Jan nil.

WINNIPEG, December 7.

§Barley—Dec 116.70 (118.70), March 124.00 (125.40), May 128.20, July 129.90, Oct 133.50.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 233.24 (same).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § SCan. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

PARIS, December 7, 1981.

Sugar—Closing: March 1853-1860, May 1907-1910, July 1930-1950, Aug 1960-1970, Oct 1995-2020, Nov 1995-2020, Dec 2020-2060, March 2050-2080.

ROTTERDAM

Grains—U.S. No. 2 Dark Hard Winter Wheat, 13.5 per cent: mid-Dec/mid-Jan 213, mid-Jan/mid-Feb 215, mid-Feb/mid-March 218. U.S. Winter Wheat Ordinary unquoted. U.S. No. 2 Red Winter Wheat Dec 180, Jan 189, Feb 192. No. 3 Amber Durum Dec 192, mid-Jan/mid-Feb 204, March/April 201. U.S. No. 2 Northern Spring Wheat 14 per cent, afloat 191.50, Dec 192, Jan 204, Feb 205, March 209. Canadian Western Red Spring Wheat April/June 220.

MAIZE—U.S. No. Three Corn Yellow afloat 125, Dec 124.50, Jan 127, Feb 129, March 132, Jan-March 129.25, April-June 134.50, July-Sept 137.50, Oct-Dec 138.75. Rye—U.S. 2 unquoted. Oats—Plate Jan 130, 2428 lbs Dec 190. Barley—Unquoted. Sorghum — U.S. 2plate granifero Dec 132, Jan, 134 quoted.

Soyabeans—U.S. No. 2 Yellow Gulfports, Dec 251.75, Jan 257.25, Feb 271.25, March 274.50, April 277.23, May 278.75, June 280.75, July 282.75, Aug 283.50, Sept 283.50, Oct 283, Nov 283.

Soyameal—Dollars tonne cif Rotterdam 44 per cent. Protein U.E. afloat, 240, Dec 244, Jan 245, Feb 249, March 250, Jan/March 247.50, April/Sept 251, sellers. Brazil Pellets afloat 256, Dec 259, Jan 263, Jan/March 264, April/Sept 258 sellers.

INDICES

FINANCIAL TIMES

Dec. 4	Dec. 3	Month ago	Year ago
249.34	248.57	257.73	264.10

(Base: July 1, 1952=100).

MOODY'S

Dec. 4	Dec. 3	Month ago	Year ago
992.3	983.3	998.2	1263.4

(December 31, 1931=100)

DOW JONES

Dow Jones	Dec. 4	Dec. 3	Month ago	Year ago
Spot	365.89	365.26	361.94	443.46
Fut rs	371.18	369.93	376.92	490.88

(Average 1924-25-26=100)

REUTERS

Dec. 7	Dec. 4	M'nth ago	Year ago
1605.4	1607.7	1637.5	1735.6

(Base: September 18, 1931=100)

Indian tea exports drop

By P. C. Mahanti in Calcutta

A 15m kilo drop in the current year's tea crop has raised doubts in the tea industry whether the Sixth Year Planned output target of 705m kilos will be reached, even if the weather becomes favourable throughout the Plan's remaining three years. If the industry had produced according to the target of an additional 25m kilos per year the crop this season should have reached 600m kilos. Instead the crop is now placed at only 555m kilos. The task of producing 150m kilos over the next three years (or 50m kilos a year) will by any reckoning be a very tough task for the industry. As the industry sees it, the main constraint will be finance.

Leading equities begin pre-Christmas Account firmly but Gilts slip back after Friday's good recovery

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 22	Jan 4
Dec 23	Jan 7	Jan 8	Jan 18

* "New time" dealings may take place from 9 am two business days earlier.

The first session of a new trading Account in London stock markets was marked by a gradual extension of Friday's good advance in leading equities. Gilt-edged securities, in contrast, lacked fresh inspiration and were unable to sustain that day's recovery movement prompted by expectations of lower U.S. Prime rates: only Broker loan rates *were cut yesterday*.

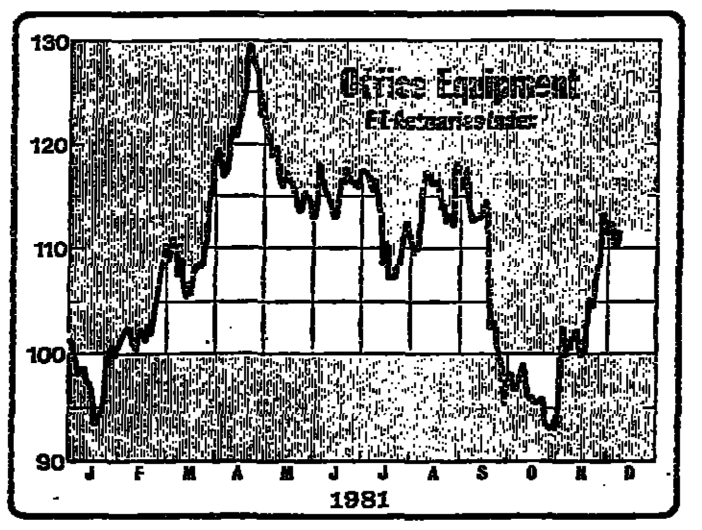
Despite a disappointing level of trade at the start of the pre-Christmas Account, the equity sectors were enlivened by a steady stream of company trading statements. Weekend Press mention also encouraged specialist interest, which produced occasional noteworthy movements. Wall Street's good performance on Friday gave dealers cause to open leading industrials firmly and very slowly, at first, values began to *edge higher. At 3.00 pm*, the FT 30-share index was 7.1 up, but Wall Street's failure to further last Friday's upturn brought leading shares away from the best and the index closed a net 4.2 higher at 533.5.

Good interim results from **Initial Services**, sharply higher at 243p, directed attention to other cleaning issues some of which recorded useful gains. Among other equity sectors, popular Electricals were well to the fore, with speculative interest tending to centre on **Ferranti**.

Suggestions that further cuts this year in domestic interest rates were unlikely tended to stifle recent enthusiasm in the Gilt-edged sector. This coupled with apprehension ahead of today's banking statistics soon saw long-dated quotations ¼ lower in a thin trade. A modest rally developed at one stage, but it faded after news of falling U.S. bond values and closing losses ranged to ¼. At the short-end of the market the tone was *no worse than mixed with some* buying interest being shown in specific low-coupon issues following Friday's exhaustion of the special **Treasury 3 per cent 1985** stock.

Traded options attracted 1,795 deals, comprising 1,583 calls and 212 puts. Once again, call activity was dominated by two stocks. **Imperial**, still influenced by dawn raid prospects, recorded 597 calls with the February 70's and May 70's accounting for 273 and 211 trades respectively. *Dealings in* **Courtaulds**, where 275 calls were struck, centred on the April positions with the 60's attracting 100 deals and the 70's 102.

Cable and Wireless touched a best-ever level of 205p before closing a net 2 dearer at 202p in front of today's interim figures.



Breweries about to report trading results were in demand and **Bass**, preliminary statement today, closed 4 better at 212p, while **Vaux**, interim results due Thursday week, put on 3 at 144p. **Distillers** attracted renewed investment support and rose 4 to 182p. ***H. P. Bulmer***, first-half results expected tomorrow, moved up 8 to 300p.

The undertone in Buildings remained firm, but business was sparse. **Tarmac** hardened 4 to 386p, as did **BPB Industries**, to *324p xd*, while **Taylor Woodrow** improved 5 to 505p. **Wimpey**, mentioned as a possible counter bidder for property concern City Offices, firmed 2 to 92p. Demand ahead of Thursday's interim results left **A. Monk** 3 dearer at 61p, while **William Whittingham** attracted fresh support and firmed 4 to 128p.

Interest in ICI was small, but the close was 2 firmer at 296p, after 298p. Among other Chemicals, **Coalite** gained 2 to 111p in front of today's half-timer, but **Leigh Interests** again lacked support and shed 4 to a 1981 low of 116p.

Frasers react afresh

Leading Stores continued to make headway, although business remained light. **Mothercare** drew further strength from a broker's circular and touched 164p before settling with a net rise of 4 at 160p for a two-day gain of 16. **UDS** were wanted at 73p, up 3. In contrast, **House of Fraser** remained under pressure awaiting the Monopolies Commission's verdict on the offer from **Lonrho**, which is expected tomorrow morning: Fraser finished 6 lower at 155p for a two-day fall of 19. Lonrho were unchanged at 80p. Elsewhere, Press comment lifted **J. Hepworth** 5 to 103p, while interest was shown for **Polly Peck**, 8 up at 363p, and **Harris Queensway**, 4 dearer at 120p. **NSS Newsagents**, preliminary results today, added 3 at 148p, while **Martin**, due to report on December 14, put on 4 at 228p. Revived takeover speculation boosted **Owen Owen**, 11 better at 208p: **Grant Bros**, in which Owen Owen holds a 14.3 per cent stake, firmed a few pence to 182p following the sale of its Roffey and Clark store in Croydon. **Peters**, another long-time bid favourite, advanced 8 to 78p on late support.

Press comment highlighting the company's bid potential attracted buyers to **Ferranti**, which touched 600p before closing a net 12 better at 595p. Popular Electricals closed well below the day's best after *having initially recorded gains* ranging to 10. **Thorn EMI** improved 6 to 463p, after 465p, but **GEC** ended only a couple of pence dearer at 790p, after 798p. **Plessey** touched 345p before closing unaltered at 340p. Elsewhere, *speculative buying* in the wake of the boardroom dispute left **Electronic Machine** 6 up at 50p, after 53p. **Berec** hardened 2 more to 152p on further consideration of **Hanson Trust's** increased cash, or loan stock alternative bid: HT added 4 at 288p. **Cray Electronic** put on 4 to 104p awaiting today's interim figures.

Edbro were outstanding in Engineerings, jumping 17 to a 1981 peak of 77p on the strong first-half profits recovery and resumption of an interim dividend payment. **Whessoe** advanced 16 to 150p following buying ahead of the preliminary results, due on December 17, and **Westland**, annual figures due tomorrow, gained 7 at 114p. **Expanded Metal** added 3 more at 57p on further speculative support, while **Baker Perkins** hardened 2 to 80p ahead of Friday's interim statement. Against the trend, **Pegler-Hattersley** shed 4 to 186p; the company's half-year results are due tomorrow. The leaders made progress in a limited trade. **Hawker** rose 8 to 326p and **GKN** improved a few pence to 169p. Down 20 last week on the chairman's shock profits warning, **John Brown** edged forward nervously to touch 62p before closing only a penny harder on balance at 61p.

The Food sector featured **George Bassett**, which jumped 12 to 69p on the sharply increased mid-term profits and return to the dividend list. **Alpine Soft Drinks** met with fresh support ahead of today's half-yearly results and put on 4 at 72p. Retailers had **Associated Dairies** 6 up at 128p and **Kwik Save** 3½ better at 216p xd. **Linfood**, interim figures today, gained 4 to 157p.

Highgate and Job good

Secondary stocks provided the features in miscellaneous industrials. **Highgate and Job** leapt 9 to 37p on the late announcement that Dalgety hald sold its entire 36.09 per cent shareholding in the company, 14.9 per cent *of it to Panavision Windows and* its associate Pickles of Paisley. Better-than-expected profits from **Initial Services** prompted a gain of 18 to 243p in the shares and also buoyed other dry-cleaning issues. **Sketchley** rose 6 in sympathy to 288p xd and **Pritchard Services** improved 3½ to 182p despite the denial of weekend Press suggestions of a possible bid from Trafalgar House. **European Ferries** advanced 6½ to 78p. **J. H. Fenner** improved 11 to 160p following the better-than-expected annual figures and **H. Brammer** rose 5 to 125p after acquisition details. Investment demand left **Smiths Industries** up 8 at 378p, while **Wolverhampton Steam Laundry** improved 2 to 47p in the wake of the chairman's resignation. **Sangers** improved 2 to 37p on Press comment but comment of an adverse nature ahead of Thursday's preliminary results left **Sothebys** 23 down at 420p; **Christies International** relinquished 8 in sympathy to 140p. ***Brengreen** eased 2 to 44½p also* after adverse comment and **LRC International** cheapened 1½ to 44p in reaction to the mildly disappointing first-half results. Still on talk of a bid, or dawn raid, from Consolidated Goldfields, **English China Clays** gained 4 more at 159p. Improvements of 6 and 8 respectively were seen in **T. W. Ward**, 198p, and **WGI**, 110p xd.

Several firm spots emerged in the Leisure sector. **Pleasurama** stood out with a jump of 24 to 282p in a thin market, while **Intasun**, interim figures due next Tuesday, put on 5 to 101p.

Motors finished with useful rises throughout the list. Among Components, **Dowty**, 147p, and **Lucas**, 219p, rose 4 and 5 respectively, while **Flight Refuelling** rallied 6 to 280p. **Plaxtons (GB)**, annual results due next Tuesday, advanced 5 to 123p and **ERF** hardened a couple of pence to 39p. **Caffyns**, which announced a reduced first-half deficit and maintained interim dividend, closed 4 to the good at 136p.

Publishers remained firm. **Gordon and Gotch** continued higher in the wake of the interim results and closed 8 up at 135p xd, but **Bristol Evening Post**, mid-term figures expected today, gave up 3 at 195p. Advertising agents **Saatchi and Saatchi** stood out with a jump of 17 to 365p following favourable Press comment; the annual results are due on Thursday. Support was also forthcoming for **Mills and Allen International**, 18 dearer at 468p.

Leading Properties attracted a reasonable business and closed *with modest gains*. **Land Securities** firmed 3 to 313p and **MEPC** gained 2½ to 248p xd. Selected secondary issues also made progress, **Centrovincial** rising 4 to 186p and **Apex** adding 5 at 125p. **Dares Estates** rose 1½ to 20½p and **McKay Securities** put on 12 to 142p, the latter in a restricted market. An investment recommendation stimulated interest in **Pennine**, which firmed 1½ to 8½p, while **Federated Land** hardened 2 more to a 1981 peak of 150p. **Regalian** firmed 3 to 38p on the higher half-year profits and **Lynton** put on 4 to 242p in response to the increased interim profits. On the bid front, **Laganvale** gained 1½ more to 30p; bidders **Sturla Holdings** improved a penny to 16½p.

Leading oils subdued

Quietly firm conditions prevailed in the Oil sector, but closing levels were usually below the best. **British Petroleum** settled just 2 firmer on balance at 330p, after 332p, and **Shell** 4 up at 408p, after 410p. **Candecca**, excited on Friday by rumours of a Humberside oil strike, touched 232p before closing a net 3 up at 228p. **Anvil Petroleum** gained 9 to 133p following an investment recommendation.

Australian oil boost

Australian oil and gas, and to a lesser degree mining, issues advanced strongly, boosted by news of the fourth biggest *onshore oil flow in Australia*—the 2,500 barrels a day flow from the Jackson 1 wildcat well in the Naccowlah Block in Queensland's Cooper Basin.

The participants in the discovery were featured by **Claremont Petroleum** which jumped 40 to a record 82p in extremely active trading reflecting its 10 per cent interest in the well; two weeks ago Claremont were changing hands at around 13p.

Santos, with 40 per cent of the well, advanced 40 to 390p, **Vamgas** rose 37 to 650p, **CSR**, which holds 32 per cent of the discovery through the recently acquired Delhi Petroleum, put on 14 to 240p, **Ampol Exploration** 20 to 206p and **Oil Company of Australia** 5 to 30p.

Other down-under oil and gas issues registered sharp gains in sympathy with the Jackson participants. **Bridge Oil** surged 25 to 280p, **Strata Oil** 12 to 56p, **Pelsart Resources** 5 to 25p and **Cultus Pacific** 4 to 19p. **Australian Consolidated Minerals** moved up 3 to 26p and **Woodside Petroleum** were 6 firmer at 80p.

The leading mining stocks took Friday's strong gains a stage further despite the weak*ness of precious and base-metal* prices. **Peko-Wallsend** were outstanding and rose 14 more to 380p while gains of 7 were common to **MIM Holdings**, 220p and **Western Mining**, 267p.

The remaining mining markets were overshadowed by the hectic activity in the Australian sector but *nevertheless put on an* encouraging performance in the face of the falls in metal prices, notably bullion which dipped $9 to $416.50 an oz.

South African Golds managed minor gains, sustained by renewed closing of bear positions. The Gold Mines index edged up 1.8 to 332.1, reflecting gains which ranged to ¾ in the heavyweights, such as Vaal Reefs, £34¾.

FINANCIAL TIMES STOCK INDICES

	Dec. 7	Dec. 4	Dec. 3	Dec. 2	Dec. 1	Nov. 30	A year ago
Government Secs.	64.31	64.61	64.05	64.30	64.21	64.73	70.18
Fixed Interest	64.77	64.75	64.54	64.61	64.53	64.75	71.75
Industrial Ord.	533.5	529.3	519.9	531.0	530.8	537.2	469.3
Gold Mines	232.1	330.3	327.5	312.0	315.0	323.0	494.1
Ord. Div. Yield	5.68	5.72	5.80	5.69	5.72	5.65	7.57
Earnings, Yld. % (full)	9.91	9.97	9.96	9.77	9.79	9.68	16.98
P/E Ratio (net) (*)	12.91	12.83	12.84	13.08	13.07	13.23	7.21
Total bargains	18,639	16,813	17,557	16,530	16,013	19,835	19,657
Equity turnover £m.	—	151.81	122.61	119.63	95.60	110.28	105.21
Equity bargains	—	16,063	13,849	11,758	13,363	13,926	14,987

10 am 529.3. 11 am 531.9. Noon 533.7. 1 pm 534.3.
2pm 535.6. 3 pm 536.4.
Latest Index 01-246 8026
* Nil = 11.53.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 4	Dec. 3
—Daily Gilt Edged Bargains	198.2	175.8
Equities. Bargains	104.1	89.7
Value	306.8	247.8
5-day Avrge. Gilt-Edged Bargains	194.1	186.6
Equities. Bargains	89.4	85.6
Value	242.5	251.4

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. or amount	Times covered	Gross yield	P.E. ratio
§80	F.P.	8/1	84	80	✻A & G Sec. Elecs.5p	81	...	b2.75	2.3	3.1	20.3
§70	F.P.	30/11	73	68	✻Acsis Jewellery	72	+2	u3.7	2.0	7.3	7.8
—	F.P.	4/12	850	775	✻Asprey	825	...	35.0	3.3	6.0	6.0
168	F.P.	8/1	205	191	Cable & Wireless 50p	202	+2	b6.3	3.0	4.5	10.0
§35	F.P.	—	35	33	✻City Site	33	−1	b0.6	1.2	2.2	54.8
80	F.P.	13/1	84	81	✻Equipu	84	+1	bd3.1	2.1	5.3	12.3
140	F.P.	18/2	187	170	Exco 10p	175	−5	b4.5	2.2	3.6	17.6
—	F.P.	—	10	9	F&C Enter. Warrants	10	+1	—	—	—	—
§50	F.P.	9/12	50	40	✻Gr'nw'nCable&Cm.	40	−1	—	—	—	—
150	F.P.	4/1	165	160	✻Hayters	161	−4	b10.5	1.8	9.4	7.4
§101½	F.P.	8/12	18	14	✻Humberside El. 10p	18					
63	F.P.	2/12	76	69	✻JohnstonesP'int10p	75	+1	b3.85	2.5	6.7	7.8
100	F.P.	—	104	100	NewAustraliaInv.50p	102	+1	—	—	—	—
US$4.25	F.P.	—	205	145	✻Nimslo Int. 20c	145	−8	—	—	—	—
—	F.P.	—	10	8	Sampang (Java) 2½p	10	+1½	—	—	—	—
—	50p	—	82	75	✻Saxon Oil	75	...	—	—	—	—
§67	F.P.	18/12	70	68	✻Sheldon Jones	70	...	u3.5	2.4	7.1	7.9
‡	F.P.	31/12	33	31	✻Television South 10p	31	−1	—	—	—	—
§68	F.P.	4/12	64	60	✻V.W.	64	+1	bd3.84	2.3	8.6	6.0
—	F.P.	—	5	4½	Viners 1p	4½	...	—	—	—	—

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	■	1981 High	1981 Low	Stock	Closing price p	+ or −
275	F.P.	13/7	8/12	340	299	BP	332	+5
2.5A$	Nil	—	—	88pm	60pm	C S R	88pm	+10
162	Nil	23/12	21/1	20pm	15pm	Great Portland Estates	20pm	+2
14	F.P.	27/11	6/1	24	18	Lancaster (D.M.)	23	−1
126	F.P.	2/12	15/1	143	134	Northern Foods	140	+4
7½	Nil	18/12	15/1	2pm	¼pm	Raglan Prop.	2pm	+½
60	Nil	17/12	21/1	1pm	¼pm	Strong & Fisher	1pm	.....
05cts	Nil	—	—	117pm	108pm	T N T	116pm	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. m Interim since increased or resumed. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
**	F.P.	—	38p	38p	Cater Ryder 4.2 2nd. Cum. Prf.	38p	.....
§33p	F.P.	—	33p	31p	City Site Ests. 10% Cnv. Cum. Red. Prf.	31p	−1
100	F.P.	18/12	100	100	✻Dunton 12% Conv. Cum. Red. Prf.	100	.....
100	£10	25/2	13	12	Essex Water 10% Red. Prf. 1986	13	.....
**	F.P.	—	143p	135p	McLeod Russel 8.4% Cnv. Red. Cum. Prf	142p	−1
¶100	F.P.	—	100½	100	Nat'wide Bdg. Society 15½% Bds (24/11/82)	100	.....
§100	F.P.	—	100	100	Do. 15½% Bds. (13/12/82)	100	.....
†	F.P.	13/12	88	86	✻Television South Loan '86-88	88	.....
—	F.P.	—	135	115	Viners 10% Cnv. Loan 1988	118	.....

Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Issued as a unit. ‡‡ London Listing. ‡ Effective issue price after scrip. † Comprising 50 comprising 33 Ordinary and £5 Loan 1986-88.

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
Hayters	20	165	—	Euro. Ferries	15	71½	+ 0½
Premier Consd.	19	58	+ 2	House of Fraser	15	161	−13
Berec	18	150	+20	Matthews (B.)	15	113	− 3
ICI	17	294	+10	P & O Deferred	15	123	—
Sturla	17	15½	+ 2½	Racal	15	410	− 7
English China	16	155	+ 2	Town and City	15	29¾	+ 1¼
GEC	16	788	+10	Beecham	14	21⁴	+ 6

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Bassett (Geo.)	69	+12	Mothercare	160	+ 4
Cable and Wireless	202	+ 2	Santos	390	+40
Claremont Petroleum	82	+40	Sketchley	288xd	+ 6
European Ferries	78	+ 6½	Sothebys	420	−23
Initial Services	243	+18	Spring-Grove	90xd	+ 3
London and Overseas	41	+ 7	Westland	114	+ 7

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 7 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	101.0
Albania	Lek	10.10
Algeria	Dinar	8.1450
Andorra	French Franc	10.925
	Spanish Peseta	185.45
Angola	Kwanza	(CM) 62.936 (T) 65.139
Antigua (S)	E. Caribbean $	5.23
Argentina	Ar. Peso	(cm) 13,427.0 (fn) 21,438.0
Australia (S)	Australian $	1.6985
Austria	Schilling	30.525
Azores	Portugu'se Escudo	124.35
Bahamas (S)	Ba. Dollar	1.9360
Bahrain (S)	Dinar	0.735
Balearic Isles	Spa. Peseta	185.45
Bangladesh (S)	Taka	37.00
Barbados (S)	Babados $	3.8720
Belgium	B. Franc	(cm) 73.95 (fn) 82.55
Belize	B $	3.8520
Benin	C.F.A. Franc	546.25
Bermuda (S)	Bda $	1.9360
Bhutan	Indian Rupee	17.78
Bolivia	Bolivian Peso	48.15
Botswana (S)	Pula	1.7125
Brazil	Cruzeiro ‡‡	236.64
Brit. Virgin Isles (S)	U.S. $	1.9360
Brunei (S)	Brunei $	3.9810
Bulgaria	Lev	1.7725
Burma	Kyat	12.55
Burundi	Burundi Franc	169.605
Cameroon Republic	C.F.A. Franc	546.25
Canada	Canadian $	2.2910
Canary Islands	Spanish Peseta	185.45
Cape Verde Isle.	Cape V. Escudo	71.00
Cayman Islands (S)	Cay. Is. $	1.6153
Cent. Af. Repub.	C.F.A. Franc	546.25
Chad	C.F.A. Franc	546.25
Chile	C. Peso	(Bk) 76.05
China	Renminbi Yuan	3.3315
Colombia	C. Peso	(F) 112.83
Comoro Islands	C.F.A. Franc	546.25
Congo (Brazaville)	C.F.A. Franc	546.25
Costa Rica	Colon	38.75
Cuba	Cuban Peso	1.5585
Cyprus (S)	Cyprus £	0.8255
Czechoslovakia	Koruna	(com) 11.00 (n/c) 19.16 (T) 18.55
Denmark	Danish Krone	13.995
Djibouti	Fr.	340 (sg)
Dominica (S)	E. Caribbean $	5.73
Dominican Repub.	Dominican Peso	1.9360
Ecuador	Sucre	(O) 48.70 (F) 65.52
Egypt	Egyptian £	(U) 1.62
Equatorial Guinea	Ekuele	370.9
Ethiopia	Ethiopian Birr	(P) 3.9750
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	13.995
Fiji Islands	Fiji $	1.6715
Finland	Markka	8.3470
France	French Franc	10.925
French C'ty in Af*	C.F.A. Franc	546.35
French Guiana	Local Franc	10.925
French Pacific Is.	C.F.P. Franc	185 (sg)
Gabon	C.F.A. Franc	546.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.3375
Germany (West)	Deutsche Mark	4.3375
Ghana (S)	Cedi	5.36
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	108.998

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	13.995
Grenada (S)	E. Caribbean $	5.23
Guadaloupe	Local Franc	10.925
Guam	U.S. $	1.9360
Guatemala	Quetzal	1.9360
Guinea Republic	Syli	40.90
Guinea Bissau	Peso	72.95
Guyana (S)	Guyanese $	5.8380
Haiti	Gourd	9.68
Honduras Repub	Lempira	3.9200
Hong Kong (S)	H.K. $	10.833
Hungary	Forint	65.8458::
Iceland (S)	I. Krona	15.88785
India (S)	Ind. Rupee	17.78
Indonesia	Rupiah	1,225.35
Iran	Rial	152.50 (sg)
Iraq	Iraq Dinar	0.5713
Irish Republic (K)	Irish £	1.22225
Israel	Shekel	29.50
Italy	Lira	2,321.0
Ivory Coast	C.F.A. Franc	546.25
Jamaica (S)	Jamaica Dollar	3.4526
Japan	Yen	421.0
Jordan (S)	Jordan Dinar	0.648 (sg)
Kampuchea	Riel	2,323.3
Kenya (S)	Kenya Shilling	19.575
Kiribati	Australian $	1.6985
Korea (Nth)	Won	1.76 (ii)
Korea (Sth)	Won	1,338.10
Kuwait	Kuwait Dinar	0.545
Laos	New Kip	19.36
Lebanon	Lebanese £	8.9735
Lesotho	Loti	1.8740
Liberia	Liberian $	1.9360
Libya	Libyan Dinar	0.5730
Liechtenstein	Swiss Franc	3.495
Luxembourg	Lux Franc	73.95
Macao	Pataca	11.30
Madeira	Portug'se Escudo	124.35
Malagasy Republic	MG Franc	546.35
Malawi (S)	Kwacha	1.745
Malaysia (S)	Ringgit	4.3590
Maldive Islands (S)	Mal Rupee	7.6440
Mali Republic	Mali Franc	1,092.5
Malta (S)	Maltese £	0.7435
Martinique	Local Franc	10.925
Mauritania	Ouguiya ;	109.45
Mauritius (S)	M. Rupee	19.90
Mexico	Mexican Peso	50.60
Miquelon	C.F.A. Franc	546.25
Monaco	French Franc	10.935
Mongolia	Tugrik	(o) 5.85 (ii)
Montserrat	E. Caribbean $	5.23
Morocco	Dirham	10.16 (sg)
Mozambique	Metical	58.60
Nauru	Australian Dollar	1.6985
Nepal	Nepalese Rupee	25.65
Netherlands	Guilder	4.7350
Netherland Antilles	Antillian Guilder	3.4655
New Zealand (S)	N. Z. Dollar	2.3180
Nicaragua	Cordoba	19.50
Niger Republic	C. F. A. Franc	546.25
Nigeria (S)	Naira	1.218105 (sg)
Norway	Norway Krone	11.03
Oman Sul'ate of (S)	Rial Omani	0.672
Pakistan	Pakistan Rupee	19.22
Panama	Balboa	1.9360
Papua N.Guinea (S)	Kina	1.2995
Paraguay	Guarani	(O) 245.70 (F) 325.65

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peru	Sol	exe (A) 946.93
Philippines	Philippina Peso	15.60
Pitcairn Islands S.	£ Sterling	—
	New Zealand $	2.3180
Poland	Zloty	(Cm) 56.96 (T) 66.96
Portugal	Portugu'se Escudo	124.35
Puerto Rico	U.S. $	1.9360
Qatar (S)	Qatar Ryal	7.02
Reunion Ile de la	French Franc	10.925
Romania	Leu	(Cm) 8.15 (n/c) 20.31
Rwanda	Rwanda Franc	174.34
St. Christopher (S)	E. Caribbean $	5.23
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	5.23
St. Pierre	Local Franc	10.925
S. Vincent (S)	E. Caribbean $	5.23
Salvador El	Colon	4.83
Samoa American	U.S. $	1.9360
San Marino	Italian Lira	2,321.0
Sao Tome & Prin.	Dobra	75.00
Saudi Arabia	Ryal	6.65
Senegal	C.F.A. Franc	546.25
Seychelles	S. Rupee	11.87
Sierra Leone (S)	Leone	2.27922
Singapore (S)	Singapore $	3.9810
Solomon Islands (S)	Solomon Is. $	1.7125
Somali Republic	Somali Shilling (3)	(A) 12.30
Somali Republic	Somali Shilling (4)	24.12
South Africa (S)	Rand	1.8470
South West African Territories (S)	S. A. Rand	1.8470
Spain	Peseta	125.45
Spanish ports in North Africa	Peseta	185.45
Sri Lanka (S)	S. L. Rupee	39.45
Sudan Republic	Sudan £ (u)	1.7425
Surinam	S. Guilder	3.4555
Swaziland (S)	Lilangeni	1.8740
Sweden	S. Krona	10.595
Switzerland	Swiss Franc	3.495
Syria	Syria £	(A) 10.0
Taiwan	New Taiwan $	69.70
Tanzania (S)	Tan. Shilling	16.00
Thailand	Baht	44.60
Togo Republic	C.F.A. Franc	546.25
Tonga Islands (S)	Pa'anga	1.6985
Trinidad (S)	Trinidad & Tob. $	[illegible]
Tunisia	Tunisian Dinar	0.966 (sg)
Turkey	Turkish Lira	249.19
Turks & Caicos	U.S. $	1.9360
Tuvalu	Australian $	1.6985
Uganda (S)	Uganda Shilling	165.0
United States	U.S. Dollar	1.9360
Uruguay	Uruguay Peso	(cm) 22.30 (fn) 22.29
Utd. Arab Emirates	U.A.E. Dirham	7.12
U.S.S.R.	Rouble	1.3570
Upper Volta	C.F.A. Franc	546.25
Vanuatu	Vatu	175.95
	Aust. Dollar	1.6985
Vatican	Italian Lire	2,321.0
Venezuela	Bolivar	8.37
Vietnam	Dong	(O) 4.24 (T) 4.31
Virgin Islands U.S.	U.S. Dollar	1.9360
Western Samoa	S. Samoan Tala	2.0745
Yemen (Nth)	Ryal	8.75 (sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.6640
Yugoslavia	New Y Dinar	75.8005
Zaire Republic	Zaire	10.539955
Zambia	Kwacha	1.6950
Zimbabwe	Zimbabwe $	1.3950

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of [illegible] exports 81.30. **Rate is the transfer market (controlled). ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having bilateral agreement with Egypt and who are not members of IMF. (1) Based on gross rates against Russian rouble. (3) Parallel exchange rate for essential imports. (4) Exports, non-essential imports and transfers.

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (28)

BRITISH FUNDS (3)
Treas. 8¼pc 80-82 Treas. 9½pc 1983
Treas. 3pc 1982

FOREIGN BONDS (1)
Ireland 7½pc '81-83

AMERICANS (1)
American Nat. Res.

BANKS (1)
Sturla

BUILDINGS (1)
Breedon Lime

BEERS (1)
Bulmer (H. P.)

ELECTRICALS (2)
BSR Berec

ENGINEERING (4)
Edbro Hldgs. Mitchell Somers
Firth (G. M.) Whessoe

INDUSTRIALS (3)
Pritchard Services Ward (T. W.)
Sketchley

MOTORS (1)
Young (H.)

NEWSPAPERS (2)
Link House Sharpe (W. N.)

PAPERS (2)
BPC Saatchi Saatchi

PROPERTY (1)
Federated Land

TRUSTS (1)
Grange Trust

OILS (4)
American Oil Fields Jackson Explrtn.
Claremont Pet. Offshore

NEW LOWS (14)

LOANS (3)
F.F.I. 10¼pc Uns.Ln. 1986 F.F.I. 11½pc Uns Ln. 1990
F.F.I. 11pc Uns.Ln 1988

AMERICANS (1)
TRW Inc.

CHEMICALS (1)
Leigh Ints.

ELECTRICALS (1)
Quest Automation

FOODS (1)
Fisher (A.)

INDUSTRIALS (2)
Scruttons Timpo Euroflame

PAPER (1)
Wyatt (Woodrow)

OILS (2)
Shackleton Pet. Caledonian Oil.

MINES (2)
Pacific Copper Sabina Inds.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	73	9
Corpns. Dom. and Foreign Bonds	7	1	65
Industrials	397	142	817
Financial & Props.	231	33	234
Oils	46	13	48
Plantations	3	3	16
Mines	74	21	72
Others	84	30	35
Totals	852	316	1,306

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 30	Dec 11	Mar 11	Mar 22
Dec 14	Dec 29	Mar 25	Apr 5
Jan 4	Jan 15	Apr 15	Apr 26

For rate indications see end of Share Information Service

Stocks favoured for the call included John Brown, Town and City Properties, Western Selection, KCA International, KCA Drilling, Armour Trust, Royal Bank of Scotland, Nimslo, Grand Metropolitan, Woodside, Bernard Matthews, Charles Hill of Bristol, Gripperrods, Tozer Kemsley and Millbourn and Mohen. A put was struck in Royal Bank of Scotland, while doubles were taken out in John Brown, Chloride, Royal Bank of Scotland and RHM.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Mon., Dec. 7, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., Dec. 4 Index No.	Thurs., Dec. 3 Index No.	Wed., Dec. 2 Index No.	Tues., Dec. 1 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	351.18	+0.7	10.19	4.53	12.18	348.69	345.54	349.66	348.74	289.42
2	Building Materials (25)	303.95	+0.6	14.88	5.66	7.68	302.25	300.19	301.93	305.15	239.86
3	Contracting, Construction (28)	528.04	+0.2	17.79	5.33	6.57	527.04	526.48	523.28	521.58	408.65
4	Electricals (30)	1201.92	+0.3	8.27	2.46	15.12	1198.05	1186.97	1206.91	1193.30	968.57
5	Engineering Contractors (9)	485.21	+0.8	13.05	5.72	8.94	481.34	481.37	488.42	489.73	365.99
6	Mechanical Engineering (66)	191.51	+1.6	11.01	5.69	11.60	188.52	186.39	189.36	189.64	176.16
8	Metals and Metal Forming (12)	164.74	+1.1	8.37	7.37	16.16	162.98	161.74	162.72	164.89	143.62
9	Motors (21)	94.01	+1.4	—	7.18	—	92.71	91.47	93.13	93.46	92.68
10	Other Industrial Materials (18)	374.26	+1.0	8.87	6.05	13.67	370.71	365.30	368.14	366.92	0.00
21	CONSUMER GROUP (198)	270.52	+0.7	13.27	6.07	9.27	268.70	265.54	269.07	268.17	239.44
22	Brewers and Distillers (20)	282.76	+0.6	15.90	6.74	7.58	281.09	276.53	280.24	277.24	265.47
25	Food Manufacturing (21)	264.40	+0.9	15.58	6.43	7.74	261.94	260.28	262.38	263.59	211.54
26	Food Retailing (15)	544.93	+1.1	9.75	3.59	12.40	538.91	534.73	538.97	534.98	452.38
27	Health and Household Products (7)	343.16	+0.9	9.15	4.66	12.85	340.09	332.38	338.97	340.31	236.19
29	Leisure (24)	425.32	+1.1	9.50	5.18	13.09	420.82	421.15	419.91	418.79	356.11
32	*Newspapers, Publishing* (12)	482.75	+0.1	12.77	6.24	11.35	482.18	485.04	482.36	482.11	437.55
33	Packaging and Paper (13)	132.23	−0.2	15.60	8.15	7.65	132.46	130.79	131.27	131.80	115.56
34	Stores (46)	240.04	+0.3	11.94	5.61	11.25	239.40	236.29	240.83	240.69	246.54
35	Textiles (23)	156.45	−0.4	10.15	6.31	12.74	157.16	154.48	157.13	156.18	120.83
36	Tobaccos (3)	258.92	+1.4	22.35	10.07	5.14	255.29	251.02	256.55	251.74	201.40
39	Other Consumer (14)	248.16	−0.4	7.77	7.28	21.32	249.15	251.17	252.42	253.76	0.00
41	OTHER GROUPS (80)	227.44	+1.0	10.75	6.10	11.99	225.14	222.74	225.41	223.34	215.32
42	Chemicals (16)	297.69	+0.5	5.35	6.03	31.45	296.20	288.99	296.54	292.42	293.63
44	Office Equipment (4)	111.93	+1.9	16.34	7.87	7.32	109.83	110.04	112.67	111.26	104.77
45	Shipping and Transport (13)	516.53	+2.5	20.75	7.15	5.74	503.88	501.55	499.27	496.95	554.91
46	Miscellaneous (47)	287.97	+1.0	12.25	5.57	10.09	285.22	284.95	285.24	283.74	264.07
49	INDUSTRIAL GROUP (487)	291.95	+0.7	11.76	5.49	10.53	289.82	286.76	290.37	289.25	253.23
51	Oils (13)	766.49	+0.7	18.58	7.36	6.10	761.41	753.20	772.92	771.12	940.44
59	500 SHARE INDEX	330.38	+0.7	13.02	5.84	9.28	328.02	324.54	329.44	328.26	307.54
61	FINANCIAL GROUP (119)	259.56	+0.6	—	5.85	—	257.92	255.54	257.77	256.74	236.77
62	Banks (6)	290.13	+0.8	30.94	6.49	3.80	287.75	282.27	286.91	285.29	243.83
63	Discount Houses (9)	264.36	+1.2	—	8.37	—	261.14	259.67	255.80	256.01	206.98
64	Hire Purchase (3)	226.86	−0.4	13.71	8.15	10.10	227.73	226.31	226.31	225.76	209.47
65	Insurance (Life) (9)	257.40	+1.0	—	6.21	—	254.95	253.92	256.95	255.50	244.39
66	Insurance (Composite) (10)	163.47	+0.3	—	8.19	—	162.95	161.87	163.04	162.26	154.58
67	Insurance Brokers (8)	411.34	+0.6	11.32	5.89	11.97	408.82	408.23	410.19	411.46	323.44
68	Merchant Banks (12)	150.99	+0.7	—	5.41	—	150.00	150.40	150.86	151.87	147.26
69	Property (50)	460.62	+0.4	4.71	3.16	28.62	458.64	456.24	457.17	458.33	439.08
70	Miscellaneous (12)	175.77	+1.1	17.15	6.08	7.13	173.78	173.80	173.17	172.29	163.06
71	Investment Trusts (110)	291.81	+1.4	—	5.54	—	287.79	287.77	289.17	289.32	282.84
81	Mining Finance (4)	244.68	+1.4	14.08	5.81	8.55	241.42	238.14	237.48	237.08	242.70
91	Overseas Traders (17)	405.91	−0.3	13.00	7.84	9.39	407.04	406.53	409.76	412.99	431.35
99	ALL-SHARE INDEX (750)	314.37	+0.7	—	5.85	—	312.04	309.03	312.97	311.98	293.53

FIXED INTEREST

	PRICE INDICES	Mon., Dec. 7	Day's change %	Fri., Dec. 4	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.81	+0.06	106.75	—	10.18
2	5-15 years	102.67	−0.48	103.17	—	11.70
3	Over 15 years	104.98	−0.59	105.60	—	12.60
4	Irredeemables	114.22	−0.48	114.77	—	13.73
5	All Stocks	104.52	−0.35	104.88	—	11.43
6	Debentures & Loans	80.65	+0.16	80.85	0.32	10.92
7	Preference	60.35	−0.09	60.55	0.14	6.82

	AVERAGE GROSS REDEMPTION YIELDS		Mon., Dec. 7	Fri., Dec. 4	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	12.99	12.98	11.69
2		15 years	13.57	13.48	11.69
3		25 years	13.54	13.43	11.69
4	Medium Coupons	5 years	15.42	15.35	13.26
5		15 years	15.44	15.38	13.40
6		25 years	14.84	14.74	13.08
7	High Coupons	5 years	15.42	15.35	13.25
8		15 years	15.61	15.51	13.61
9		25 years	15.14	15.04	13.25
10	Irredeemables†		12.90	12.83	11.34
11	Debs & Loans	5 years	16.85	16.09	14.39
12		15 years	15.93	16.00	14.14
13		25 years	15.86	15.96	13.89
14	Preference†		16.36	16.35	14.70

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	64.6	69.5	+0.6	2.09
Capital	39.9	42.4	+0.5	4.06
(Accum. Units)	50.1	54.2	+0.6	4.06
General	60.0	64.9	+1.0	4.73
Gilt & Fixed Int.	96.0	101.6		12.97
Income	37.0	40.0	+0.3	8.76
Worldwide Bond	103.9	109.5	-0.1	6.09
Inv. Tst. Fd.	51.5	55.7	+0.5	4.31
Equitas Prog.	83.8	90.6	+1.3	4.51

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	84.5	88.9	-0.4	13.66

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds

Allied 1st	91.4	97.8	+1.5	5.51
Brit. Indl. Fund	77.5	82.9	+1.3	6.49
Growth & Income	57.9	61.9	+0.7	4.04
Elect. & Ind. Dev.	46.9	50.2	+0.6	4.78
Allied Capital	97.8	105.9	+1.3	4.71
Hambro Fund	135.6	145.2	+2.0	5.79
Hambro Acc. Fund	199.4	213.3	+2.9	4.69

Income Funds

High Yield Fd.	65.2	69.8	+0.7	9.11
High Income	83.0	88.8	+1.0	7.21
Equity Income Fd.	47.7	51.0	+0.4	7.24
Govt. Secs.	23.0	23.6		13.47

International Funds

International	36.6	39.2	+0.4	2.36
Japan Fund	29.7	31.8	+0.3	0.52
Pacific Fund	73.4	78.5	+0.4	1.05
Secs. Of America	84.7	90.6	+0.4	2.65

Specialist Funds

Smaller Co.'s Fd.	57.1	61.1	+0.3	3.85
2nd Smlr. Co's Fd.	70.3	75.2	+0.2	3.99
Recovery	28.0	30.0	+0.3	4.70
Met. Min. & C'dty.	64.7	69.2	+0.8	5.78
Overseas Earnings	78.6	84.1	+1.1	4.88

Exempt Funds

Income Exempt	52.3	56.0	+0.4	6.88
Far East Exempt	77.2	82.6	+0.2	1.52
Smaller Co. Exempt	94.1	100.9	+0.6	3.91
U.S.A. Exempt	138.1	141.5	+1.2	2.78

Anderson Unit Trust Managers Ltd.
62, London Wall, EC2R 7DQ 01-638 1200

Anderson U.T.	66.8	72.4	-0.7	3.41

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-726 4993

Inc. Monthly Fund	160.0	170.0		10.80
Leics.&Gen.Fd.	50.5	53.5		7.33

Anthony Wieler Unit Tst. Mgmt. Ltd.
19, Widegate St., London, E1 7HP. 01-247 8827

Wieler Gwth Fd. Inc.	40.4	43.4	+0.6	2.50
Do. Accum.	51.8	55.7	+0.7	2.50

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Capital	33.0	35.9	+0.1	—
Commodity	81.7	89.0	+0.9	2.49
(Accumulation)	130.6	142.3	+1.4	2.49
(10% Withdrawal)	57.4	62.5	+0.6	2.49
Eastern & Internatl.	51.9	57.1	+0.7	1.00
(6% Withdrawal)	34.6	38.1	+0.5	1.00
Extra Income	78.4	85.0	+0.1	11.26
(Accumulation)	102.7	111.9	+0.3	11.26
Finance & Property	24.3	26.4	+0.2	4.61
Foreign	132.8	145.8	+2.0	1.00
Giants	27.7	29.8	+0.3	3.99
(Accumulation)	63.4	69.1	+0.8	3.99
Gilt & Fixed	37.5	39.0		13.55
(Accumulation)	43.9	46.7		13.55
Growth	41.7	45.4	+0.6	3.37
(Accumulation)	55.7	60.7	+0.7	3.99
High Income	34.2	37.2	+0.1	9.84
(Accumulation)	60.5	65.9	+0.2	9.84
(8½% Withdrawal)	45.4	49.4	+0.1	9.84
High Yield	36.1	39.3		12.32
(Accumulation)	69.5	75.7	+0.2	12.32
North American††	36.4	39.6		1.00
Preference	18.4	20.0	+0.1	14.97
(Accumulation)	39.3	42.8	+0.1	14.97
Smaller Companies	36.4	39.6	+0.2	3.38
(Accumulation)	36.8	40.1	+0.3	5.38

Archway Unit Tst. Mgs. Ltd.(a)(c)

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632

American (z)	28.0	30.4	+0.2	1.65
Australian (z)	24.0	26.0	+0.6	0.96
Far Eastern Tst. (z)	42.6	45.2	+0.4	1.23
High Income	53.9	56.1	+0.3	12.01
Intl. Trust (z)	49.7	53.9	+0.6	1.41
Basic Resources Tst.	49.5	53.7	+0.9	2.10
Incm. Growth Tst.	24.5	26.5	+0.2	8.77
Pref. & Gilt Tst.	28.8	30.4	+0.1	15.64
Smaller Co's Trust	28.0	30.4		3.58

Chaulerton Fund Managers(a)
57-63, Princess St., Manchester. 061-236 5685

Growth	15.6	16.8	+0.1	3.84
International	62.6	67.6	+1.0	1.16
High Income	27.8	30.0	+0.2	11.85

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	74.4	78.3		3.69

For Cosmopolitan see Chaulerton Fund Managers.

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8EQ. 01-248 4984

High Income	34.0	37.1	+0.4	12.32
North American	60.3	65.2	+0.3	2.63
Canadian Exempt*	66.4	70.4		3.00
Canadian Trust	54.8	59.2	+0.7	3.05
Mid Mount High Inc.*	44.0	46.5		10.30
Recovery	51.7	56.4	+0.5	4.00
Gilt Trust	39.4	41.3		14.00

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.8	46.2	+0.5	0.54
Cres. Internat'l.	89.8	96.9	+0.7	1.55
Cres. High. Dist.	42.3	45.6	+0.4	9.59
Cres. Reserves	51.7	55.8	+0.9	5.38
Cres. Tokyo	40.6	43.8	+0.6	0.28

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.0	24.5		8.98

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Dec. 4	240.4	256.4		5.22

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.7	22.0	+1.4	7.92
Gt. Winchester O'seas	31.7	35.2	+1.1	3.55

Equity & Law Un. Tr. M. (a) (b) (c)
Amersham Rd., High Wycombe. 0494 33377

UK Gwth. Tst. Acc.	53.7	57.7	+0.8	4.54
UK Gwth. Tst. Inc.	53.7	57.7	+0.8	4.54
Higher Inc. Tst. Acc.	53.8	57.8	+0.9	8.25
Higher Inc. Tst. Inc.	53.8	57.8	+0.9	8.25
Gilts/Fxd. Int. Tst. Acc.	49.9	52.5	+0.1	5.74
Gilts/Fxd. Int. Tst. Inc.	49.9	52.5	+0.1	5.74
Nth. America Tst. Acc.	52.6	56.5	+0.7	0.98
Far East Tst. Acc	49.8	52.4	+1.1	0.60
Equity & Law	93.5	98.4	+1.5	4.65

Fidelity International Management Ltd.
20, Abchurch Lane, London EC4N 7AL. 283 9911

American (z)	39.5	42.5	+0.4	0.22
Amer. Spec. Sits. (z)	29.0	31.2	+0.4	0.01
Gilt & Fixed Int.	22.6	23.8		14.89
Growth & Income	33.1	35.6	+0.4	7.12
Japan Trust (z)	24.7	26.0		
Max. Inc. Eq. Tst.	28.3	30.5	+0.2	9.83
Special Sits.	38.0	40.9	+0.2	0.89

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	38.8	41.7		1.48
Accum. Units	48.4	52.0		1.48
J. Finlay High Income	35.7	38.4		9.35
Finlay Wld. Energy	17.2	18.5	+0.1	1.61
Accum. Units	22.3	24.0	+0.1	1.61
J. Finlay Fd. In. Tst.	38.8	41.7		5.79
Accum. Units	51.3	55.1		5.99

Prices on Dec. 2. Next dealing Dec. 9.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	91.2	97.4	+0.8	0.90
(Accum. Units)	91.2	97.4	+0.8	0.90
Am. T'around	81.8	87.4	+1.0	1.74
Darling Fd. Dec. 7	2.98	3.17	+0.05	1.74
Capital Tst.	62.4	66.6	+0.2	5.10
(Accum. Units)	67.0	71.4		5.10
Convertible & Gilt	47.2	49.6		10.25
(Accum. Units)	48.2	50.4		10.25
Extra Income Trust	51.2	54.8	+0.2	9.56
Income Tst.	42.6	45.4	+0.4	7.49
Int. Growth Fd.	72.2	77.2	+0.8	1.13
(Accum. Units)	78.2	83.6	+0.8	1.13

Robert Fraser Trust Mgt. Ltd.

INSURANCE PROPERTY BONDS

INDUSTRIALS—Continued

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
62	36	Harvey & Thompson 20p	42	......	1.4	—	4.8	—
29	18	Hawkins & Tipson	20½	+½	1.0	1.7	7.0	12.4
13	5¼	Hawtin 5p	6	+¼	0.25	—	6.0	—
69	53	Hay (Norman) 10p	53	......	3.1	0.9	8.4	19.5
139	88	Hepworth Cerac.	101	......	5.25	1.4	7.4	12.7
48	22	Hestair	34	+1	†1.0	4.3	4.2	6.6
71	40	Hewitt (J.)	47	......	†1.8	5.2	5.5	4.3
90	26	Highgate & Job 50p	37	+9	—	—	—	—
162	40	Hill (Chas.) £1	135	......	—	—	—	—
37	16	Hirst Mal'son 20p	31	......	¢0.1	—	0.5	—
116	86	Holden (A.)	105xd	+2	5.0	2.2	6.8	7.9
47	24	Hollis Bros	26	......	—	—	—	—
77	49	Holt Lloyd Int. 10p	52	−1	3.17	1.5	8.7	9.6
163	70	Hoover 'A'	70	......	56.0	—	‡	—
133	39	Hoskins & H 20p	107	......	†2.0	—	2.7	—
76	48	Howard Tenens	59	−1	‡1.55	0.4	‡	64.9
420	210	Hunting Assoc.	225	+5	5.0	5.8	3.3	5.4
160	75	Huntleigh 10p	95	+3	†1.5	4.2	2.3	11.5
226	120	Hutch Whamp $HK1	176	+6	t034c	2.7	1.8	21.6
15	9	Hyman (I. & J.) 5p	13	......	‡0.83	8.1	‡	—
£20¾	£12⅞	I.C. Industries$	£18¼	+⅛	Q$2.20	—	6.4	—
78	25	ICL	49	+1	‡2.97	—	‡	—
44	35	Ingall Inds. 10p	38½	......	2.5	1.3	9.3	11.6
251	180	Initial Services	243	+18	†9.0	2.3	5.4	11.1
23	9	Inter-City 20p	21	+½	—	—	—	—
102	39	J. B. Holdings 10p	102	+1	†3.0	4.9	4.2	6.6
192	110	Jacksons Bourne	163	......	5.0	1.4	4.4	24.1
27	12	James (M.) Inds. 10p	22	−½	1.0	3.3	6.5	5.2
248	118	Jardine M. $HK5	169	+5	†Q88c	2.0	4.8	10.6
25½	15	Jentique	22½	......	1.3	0.1	8.3	—
257	152	Johnson Clnrs.	215	+5	†7.0	3.4	4.6	7.1
*300	186	Johnson Mthy. £1	275xd	+3	9.5	2.3	4.9	(8.2)
92	57	Jourdan (T.) 10p	69	+3	5.25	1.8	10.9	7.2
82	37	Kalamazoo 10p	38	+1	2.5	0.9	9.4	17.6
170	132	Kelsey Inds.	132	......	¢8.0	4.7	8.7	3.5
148	112	Kennedy Sm. 10p	134	−1	4.38	3.2	4.7	9.5
330	225	Kershaw (A.) 5p	245	+15	21.75	0.4	12.7	(23)
75	47	Keen-E-Ze Hldgs.	49	+1	5.5	0.7	16.5	(0.8)
75	55	L.C.P. Hlds	57	......	4.3	0.8	10.8	(7.0)
48½	37	L.R.C. Int. 10p	46	−1½	2.5	1.6	8.1	10.0
54	32½	Lamtex	51	+2	1.5	—	4.2	—
178	116	[illegible] Inds. 50p	166	......	9.66	1.4	8.3	11.2
80	55	Leadenhall Sterling	65	......	3.5	1.5	7.7	10.8
330	275	Lep Group 10p	280	......	16.5	2.1	8.5	6.4
28	13	Lesney Prods. 5p	17	......	—	—	—	—
148	73	Letraset 10p	145	......	¢7.14	b1.3	7.0	(14)
45	30	Lilleshall 10p	35	......	3.5	—	14.3	—
41	25	Lon. & Liv. 10p	41xd	+2	†1.7	3.3	5.9	6.1

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
£20¾	£12⅞	Marsh McLen'n $1	£18⅞	−¼	Q$2.00	—	5.9	—
156	84	Minet Hldgs. 20p	132	......	†4.55	1.9	4.9	15.0
21	21	Moran (Chris) 20p	21#	......	—	—	—	36.1
472	366	Pearl 5p	418	......	†20.0	—	6.8	—
320	236	Phoenix	252	−2	†14.9	—	8.4	—
342	186	Provident	335	......	¢11.4	—	4.9	—
257	206	Prudential	233	+3	†11.0	—	6.7	—
274	194	Refuge 5p	236	......	†12.3	—	7.4	—
*425	332	Royal	398	+3	†24.8	—	9.6	—
159	104	Sedgwick 10p	143	+2	†5.0	2.0	5.0	14.1
102	79	Stenhouse	92	......	4.65	1.9	7.2	9.1
241	188	Stewart Wr. 20p	222	+2	12.0	1.3	7.7	12.9
£10⅞	688	Sun Alliance £1	878	+6	†33.8	—	5.4	—
345	293	Sun Life 5p	318	+4	g9.0	—	4.0	—
772	543	Taisho Mar. EDR	734	+4	g010%	—	0.2	—
208	170	Trade Indemnity	170	......	†6.34	—	5.3	—
£27½	£15⅞	Travelers $2.50	£24½	......	Q$2.88	—	6.1	—
403	257	Willis Faber	367	+2	†12.0	2.2	4.7	13.8

LEISURE

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
63½	56	A-R TV Pref. £1	57	......	5.95	ϕ	14.9	—
97	72	Anglia TV 'A'	99	+1	†5.0	4.6	7.7	[illegible]
148	75	Assoc. Leisure 5p	83	......	5.25	1.6	9.1	[illegible]
84½	48	Barr & W.A.T. 'A'	53	......	‡3.0	—	‡	—
65	30	Black Edgtn. 50p	46	......	1.0	—	3.1	—
192	121	Boosey & Hawkes	131	......	5.67	—	6.2	—
56	32	Campari Int. 20p	43	......	3.1	1.6	10.3	(7.4)
60	32	Fairline Boats 10p	33	......	d1.0	—	4.4	—
58	29	[illegible] 10p	48	......	—	—	—	—
46	32	Grampian TV A 10p	34xd	+1	2.75	2.4	11.6	[illegible]
103	74	HTV Non/Vtg.	100	......	10.0	1.8	14.3	[illegible]
104	41	Hawley Group	66	+3	†t2.67	2.9	5.8	[illegible]
*294	117	Horizon	282	+2	¢5.0	5.1	2.4	[illegible]
101	69	‡Intasun 10p	101	+5	g2.8	4.5	4.0	[illegible]
64	24	††Intervision 10p	30	......	—	—	—	—
*25½	13½	Lancaster (D. M.) 5p	22	......	g0.41	2.2	2.6	[illegible]
126	88	LWT "A"	112	......	10.07	1.7	12.8	[illegible]
216	97	[illegible] 10p	119	......	8.75	2.8	10.5	[illegible]
72	47	[illegible] 10p	65xd	+1	3.7	2.5	8.1	[illegible]
12	7	††Nationwide 5p	9½	......	—	—	—	[illegible]
50	30	Norton & Wr. 10p	35	......	d1.0	—	4.1	—
*84	57	[illegible] 10p	73	......	g0.8	1.6	1.6	[illegible]
13	7½	††Pan Atlas 20p	8	......	—	—	—	[illegible]
62	38	Photax (Lon.)	54	......	3.5	3.5	9.3	[illegible]
335	182	Pleasurama 5p	282	+24	†6.5	5.2	3.3	[illegible]
432	232	Saga Hols. 20p	432	+5	11.2	ϕ	3.7	ϕ
310	120	Samuelson 20p	350	......	d8.77	ϕ	8.9	ϕ

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
45	32	Acmex 50c	45	......	Q2.5c	—	3.5
41	14	ACM 20c	26	+3	—	—	—
21	7	Argosy Gold NL 25c	3	+1	—	—	—
229	134	Bond Corp.	[illegible]	+6	[illegible]	[illegible]	[illegible]
112	65	Bougainville 1 Kina	[illegible]	+3	[illegible]	[illegible]	[illegible]

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

1981 High	1981 Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25½	12	Burma Mines 10p	15½	−½	0.75	0.9	6.9
330	85	Colby Res. Corp.	155	......	—	—	—
330	200	Cons. Murch. 10c	250	......	Q60c	ϕ	14.0
10	6	††Exploura Gold	6	......	—	—	—
98	47	††Hemerdon 10c	65	......	—	—	—
180	65	Highwood Res.	80	+10	—	—	—
505	260	Northgate C$1	280	−5	—	—	—
633	372	R.T.Z.	473	+8	16.0	2.5	4.9
£130½	£93½	Do. 9½%Cu.Uln.'95-2000	£101	−½	Q9½%	—	f9.8
103	13	††SPO Minerals 10p	24	......	—	—	—
47	17	Sabina Inds. C$1	17	−2	—	—	—
44	21	‡Southwest C. 10p	21	......	—	—	—
650	465	Tara Exptn. $1	545	+15	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ‡‡ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −	IRISH	Price	+ or −
Albany Inv. 20p	42	......	Conv. 9% '80/82	£93½	......
Bertrams	18	......	Nat. 9¾% 84/89	£78½	......
Bdg'wtr. Est. 50p	405	......	Fin. 13% 97/02	£75	......
Craig & Rose £1	£13xd	+½	Alliance Gas	70	......
Finlay Pkg. 5p	25½	......	Arnott	290	......

[illegible]

OPTIONS

3-month Call Rates

Stock		Stock		Stock	
[illegible]		[illegible]		[illegible]	
Beecham	17	Lex Service	9	Brit. Land	7
Blue Circle	38	Lloyds Bank	23	Cap. Counties	10
Boots	18	"Lots"	3½	Land Secs.	30
Bowaters	19	London Brick	6½	MEPC	20
Brit. Aerospace	17	Lucas Inds.	25	Peachey	15
B.A.T.	28	"Mams"	[illegible]	Samuel Props.	13
Brown (J.)	8	Mrks. & Spcr	10	Town & City	2½
Burton Ord.	12	Midland Bank	26		
Cadburys	8	N.E.I.	7	Oils	
Courtaulds	5½	Nat. West. Bank	30	Brit. Petroleum	28
Debenhams	7	P & O Dfd.	[illegible]	Burmah Oil	21
Distillers	16	Plessey	25	Charterhall	6
Dunlop	6½	Racal Elect.	54	KCA	12
Eagle Star	25	R.H.M.	5	Premier	7
F.N.F.C.	4	Rank Org. Ord.	16	Shell	28
Gen. Accident	30	Reed Intnl.	23	Tricentrol	25
Gen. Electric	55	Sears	5	Ultramar	40
Glaxo	52	Tesco	5		
Grand Met.	15	Thorn EMI	50	Mines	
G.U.S. 'A'	56	Trust Houses	11	Charter Cons.	22
Guardian	30	Tube Invest.	22	Cons. Gold	40
G.K.N.	12	Turner & Newall	7½	Lonrho	7
Hawker Sidd.	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

FINANCIAL TIMES

Tuesday December 8 1981

PRODUCTION OF IRAN CAR KITS TEMPORARILY HALTED

Talbot UK to lay off 1,900

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

TALBOT UK is to lay off all the employees who make car kits for Iran, but says the move has nothing to do with the latest row in Iran about the plant which assembles the kits there.

Iran's Minister of Labour joined in the dispute yesterday with a statement suggesting the country would not suffer unduly if the factory was permanently closed.

About 1,900 Talbot employees at the Stoke plant, Coventry, will be laid off for nine working days from Monday.

Talbot said production of the kits—which probably represents the British motor industry's largest single export package—would be halted temporarily because stocks were too high.

Stocks had built up because of shortages of components made by local suppliers in Iran and shipping difficulties had been holding up production of cars there.

Meanwhile, British diplomats were yesterday attempting to analyse the statement bzy Mr Ahmed Tavacoli, Iran's Minister of Labour, which appeared in both the daily newspapers in Teharan and was repeated on television.

The first interpretation was that it was aimed solely at the employees of the Iran National car plant where there has been industrial unrest for some days resulting in major fall in output.

Mr Tavacoli pointed out that the Ministry of Industry was examining all Iran's factories, looking among other things for those that produced "unecessary luxury goods" of those that were "incurably sick."

It was implide that the Iran National car factory might fit into eithtr category because the Minister claimed it would suffer losses of IR 3bn ($37.5m) this year and that closure would save foreign currency payments.

The Minister's statement was the latest in a number of recent changes affecting the Iran National plant.

Control of the factory was recently switched to Idro (Iran Development and Reorganisation Organisation) which is staffed by hard-line revolutionaries.

The senior management of Iran National has been told it is to be replaced.

Talbot UK's two representatives at th eIran National plant were not able to renew their work permits in October.

Payment to Talgot UK by letter of credit stopped after the September payment.

However, neither the UK Department of Trade nor Talbot UK seem particularly worried about these events which have to be considered in the context of Iranian politics, and to some extent as part of the manoeuvring which goes on towards the end of the year when negotiations about prices for the following 12-months are to take place.

In 1980 Talbot earned £94.72m from the export of goods to Iran.

The kits sent out consist mainly of engines, gearboxes and other running gear which are used in the Peykan cars, Iran's best-selling vehicles. Production has been at the rate of 2,200 kits a week equivalent to about 100,000 a year.

China issues draft profits tax law

BY TONY WALKER IN PEKING AND COLINA MacDOUGALL IN LONDON

PEKING YESTERDAY published a draft of its long-awaited company tax law for foreign businesses operating in China. The proposed tax-bands range from 20 per cent to more than 40 per cent of profits, with a 10 per cent surcharge. The draft will be followed soon by legislation on contracts.

The new law has been awaited particularly keenly by oil companies involved in exploration and potential exploitation of China's offshore reserves. Peking is expected to call soon for bids to develop blocks in the East and South China Seas.

The tax provisions likely to apply to the oil companies could work out at a rate of 48.75 per cent.

The draft tax law, presented yesterday in Peking to the National People's Congress, contains provisions for double taxation agreements to be negotiated with foreign countries so that companies paying taxes to the Chinese Government can write them off against tax owed in their home countries.

This has been a matter of particular concern in the U.S. The question was discussed by the Treasury Secretary, Mr Donald Regan, and senior Chinese officials in Peking recently, and the U.S. and China are now working on a tax treaty.

Peking currently has no tax law applicable to foreign businesses. In commercial agreements made until now the individual contract has stipulated the share of profits among Chinese and foreign partners.

The absence of Chinese tax has long been regarded by potential investors and tax experts as the major hurdle obstructing development of foreign business in China. This new law is one of the most important pieces of commercial legislation to emerge from Peking in recent years.

The full proposed tax bands on annual profits are:

- of about $150,000 or less—20 per cent tax;
- of $150,000 to $295,000—25 per cent;
- of $295,000 to $442,000—30 per cent;
- of $442,000 to $590,000—35 per cent;
- of more than $590,000—40 per cent.

A local surtax of 10 per cent will be levied on taxable income.

Taxable income of foreign enterprises, according to the draft, will be income in a tax year after deduction of costs, expenses and losses in that year.

An unusual feature of the draft law is that interest on bank loans to China at commercial rates will be taxable.

The draft's provisions mainly accord with Western expectations, Washington businessmen said. In London, however, bankers said the disincentives to co-operative ventures in China were high and the tax rates would add to them.

Stanley Gibbons up for sale

By Christine Moir

STANLEY GIBBONS, one of the world's best known stamp dealers and auctioneers, is up for sale.

Just three years ago, Letraset, the graphics group, paid £19m for Gibbons but immediately ran into problems with its new subsidiary. At the end of April this year, Gibbons was showing trading losses of £2.25m and below the line there were closure costs and rationalisation expenses amounting to £4.1m.

The problems at Gibbons left Letraset vulnerable to takeover bids, which duly opened in July. First Mills & Allen International, the financial services and posters group, put in a £44.5m bid, then a battle developed which eventually saw Letraset knocked down at £62m to Esselte, the Swedish office equipment concern.

At the time Esselte let it be known that Gibbons did not really fit in with its own products in the way that Letraset's graphic division did. The offer document noted that Esselte would be "reviewing with management" Gibbons' prospects.

The outcome of that review was disclosed yesterday. Esselte "is prepared to consider approaches from parties interested in the purchase of Stanley Gibbons."

Apparently it has already had several tentative inquiries from organisations in the stamp and auctioneering trades, but none has so far been taken up.

Interim profit figures for the six months to October are not yet available, but the statement from Esselte said that Gibbons was expected to return to profitability in the current financial year.

Meanwhile Gibbons is said to have capital employed of £11.68m. In December 1978 Letraset paid £19m for it and then raised another £9m by means of a rights issue a few months later, more than half of which was spent on the $10m Marc Hess collection of U.S. postal history.

Greece to demand military aid for allowing Spain into Nato

BY BRIDGET BLOOM IN BRUSSELS AND DAVID TONGE IN LONDON

GREECE'S SOCIALIST Government is expected to demand increased military aid and guarantees from its Nato partners today if they want to allow Spain to join the alliance.

Greece may link its own membership of Nato's military wing to success in overcoming U.S. reluctance to help on these issues.

Dr Andreas Papandreou, the Greek Prime Minister and Defence Minister, is to address Nato defence ministers today as they start their bi-annual meeting.

Signs of possible difficulties emerged yesterday when Greece held up proceedings at a normally routine meeting of West European defence ministers.

For the first time in 13 years the Euro-group of Nato defence ministers, excluding those from Canada and the U.S., failed to agree on a communique.

Apparently the Greeks were waiting for Dr Papandreou, who arrived in Brussels yesterday to set out the Greek position to ministers this morning.

Greece's reluctance to declare its position has already deeply embarrassed the Spanish Government.

Even last night Sr Jose Perez Llorca, the Spanish Foreign Minister, did not know whether he should travel to Brussels for what was due to be the signing of Spain's protocol of accession to Nato on Thursday.

The Spanish Government is particularly worried about a possible rebuff. The fragility of Spain's young democratic institutions was underlined only last weekend when a group of junior officers came out in support of those held after February's abortive coup.

Dr Papandreou is particularly disturbed by the promises which Mr Caspar Weinberger, the U.S. Secretary of Defence, has made to the Turks of giving "as much assistance as we can," including on the military front.

The Greeks fear this will upset the military balance in the Aegean, a point which Dr Papandreou apparently made to Mr Weinberger when they met yesterday.

Most countries are determined to prevent these tactics from diverting attention from Nato's central concerns. Ministers will hope to hear a preliminary report from the U.S.-Soviet talks on limiting nuclear weapons in Europe.

They also wish to discuss details of the planned U.S. rapid deployment force and the failure by some countries to meet the target of an annual 3 per cent real increase in defence spending.

MR GEORGE Rallis, the Right-wing former Prime Minister of Greece defeated in the October general elections, was voted out of the leadership of his New Democracy Party yesterday.

Mr Rallis sought a vote of confidence after coming under criticism for his campaigning in the elections. The New Democracy Party deputies meet again tomorrow to elect a new leader. Mr Evangelos Averoff-Tossitsas, 71, the former defence minister, is the front-runner.

U.S. accounting

Continued from Page 1

Standard No. 8 which was introduced in 1976.

Financial accounting standard 52 was drafted in collaboration with foreign accountants' including the Accounting Standards Committee of the UK and Ireland.

The biggest change is the requirement that the main impact of foreign currency translation be recorded on shareholders' equity, or net worth not the company's income. In other words, the adjustments will appear on the balance-sheet and not the profit and loss account.

So the huge swings in earnings that companies reported in times of sharp fluctuations on foreign exchange markets should disappear.

Under standard 8 some balance-sheet items were translated at historic rates and some at current rates. Under standard 52, all will be translated at the current rate.

The effect of currency translation adjustments on shareholders' equity is required to be analysed either in notes to the balance sheet or in a separate financial statement.

The new rule also contains guidelines to help accountants define the "functional currency" of an overseas unit whose earnings have to pass through the foreign exchange filter. In some cases where the unit is closely bound to the parent or deals mainly in dollar markets, this currency could be the U.S. dollar, which would get round much of the basic problem.

Although standard 52 goes a long way towards meeting criticisms of FAS 8, it will not resolve all the controversy. It only passed the Financial Accounting Standards Board by a vote of four to three and many accountants have accepted, albeit grudgingly, because, while far from perfect, it is an improvement on FAS 8.

The dissenters think the whole approach of FAS 52 is wrong because companies should view their operations from a single "dollar perspective" rather than the perspective of numerous "functional currencies." They also think it will lead to different accounting in similar circumstances.

Accountants will have to use FAS 52 for financial statements covering the calendar year 1983, but the board is urging them to apply it earlier if they want.

Barry Riley adds: Publication of FAS 52 will clear the way for the launching of an equivalent accounting standard in the UK.

Steelmen press for action on job cuts

BY CHRISTIAN TYLER, LABOUR EDITOR

STEELWORKERS are pressing their national union leadership to declare a state of war with the BSC following the corporation's announcement that it wants to shed 20,000 jobs in addition to the 19,000 redundancies already planned by March.

The effect would be to reduce the numbers employed in steelmaking to 43,000 by the end of July compared with the 63,000 there would be at the end of March.

The signs were last night that the main union in the industry, the Iron and Steel Trades confederation, is ready to talk peace terms. The union is anxious to avoid another national strike and will accept the corporation's terms on pay and jobs provided certain conditions are met.

These conditions are that the promised 39-hour week is introduced from January next year and that local pay awards in return for job-losses—probably worth about 5 per cent—are added to basic rates and not given in the form of lump-sum bonuses.

Local militant feeling has already been expressed in the national executive of the ISTC. But the union is not apparently ready to take the risk of appealing to its membership to make a stand.

An overtime ban, which would have serious consequences in many plants, has been suggested and cannot yet be ruled out. Some area leaders are even talking about a strike or lightning stoppages.

If national negotiations break down, the union will consider whether any industrial action should follow.

The corporation is expected to reply today to the latest conditions set upon a pay and jobs agreement by the corporation.

What has particularly angered the steelworkers is that the British industry has cut manpower and capacity dramatically while the West Germans are expected to increase their output by 3 per cent next year and the French steel industry by 9.5 per cent.

The ISTC's reluctance to make a stand is partly due to the fact that other unions in the industry have already accepted unconditional negotiations at local level.

Dublin group to take over P & O ferry

By Our Belfast Correspondent

IRISH SHIPPING, Ireland's state-owned shipping group, disclosed yesterday it proposed to replace the Belfast-to-Liverpool ferry service axed last month by P & O Ferries.

The company, which runs services from Ireland to France through its subsidiary, Irish Continental Line, was forced to reveal its hand, because of pressure from the National Union of Seamen over the identity of the proposed new operator on the route.

Irish Shipping said it had been in talks with the Department of the Environment in Northern Ireland since July about restarting the service "on a commercial basis." The British Government has said it will not subsidise the route, which P & O Ferries gave up because of mounting losses.

The NUS last week called off a brief strike on routes to Northern Ireland after assurances from the arbitration service, Acas, that it would check the authenticity of prospective new operators, who were reported to be talking to the British Government.

The Dublin-based company confirmed it was "a party to the letter" sent last week by Mr Denis Boyd of Acas to Mr Jim Slater, general secretary of the NUS.

It added: "Because of the continuing and sensitive nature of these discussions, Irish Shipping does not wish to add to this statement. Further information will be released, as matters are finalised."

It is understood that a Northern Ireland-registered company will be established to take over the Liverpool route, and it will sail under the British flag, employing NUS ratings.

Irish Continental Line, the ferry subsidiary, is expected to replace one of its existing ferries on the French routes, the 5,300-tonne St Patrick, and it is thought that this vessel could be used on the service, with the possibility of another ship being added later.

Although Irish Shipping is a main contender for the route, the Department of the Environment at Stormont said it was still in contact with "some other interests."

P & O crews ended a month-long sit-in on board the Ulster Prince and Ulster Queen at Liverpool last week, after agreement was reached with their former employers on severance pay.

Irish Shipping recently announced a new joint venture into which Allied Irish Banks is to inject a substantial amount of cash.

Weather

UK TODAY

VERY cold with rain and sleet.

London, S., S.E., S.W. England, E. Anglia, Wales, Midlands, Channel Islands
Rain or sleet, becoming dryer. Max. 7C (45F).

E. England, N., N.E. England, Borders, Edinburgh, Dundee, Highlands, N.W. Scotland, N. Ireland
Sunny intervals, scattered snow showers. Max. 3C (37F).

N.W. England, Lake District, Isle of Man, S.W. Scotland, Glasgow, Argyll
Sunny intervals, mainly dry. Max. 3C (37F).

Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland
Sunny intervals, snow showers. Max. 0C (32F).

Outlook: Very cold with widespread frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	17	55	L. Ang.†	Fg	12	54
Algiers	F	18	64	Luxmbg.	C	2	36
Amsdm.	F	4	39	Luxor	S	22	72
Athens	S	16	61	Madrid	S	6	43
Bahrain	S	26	79	Majorca	F	17	63
Beirut	F	18	64	Malaga	S	16	61
Barclna.	F	12	54	Malta	F	18	64
Belfast	R	3	37	M'chstr.	C	5	41
Belgrd.	S	7	45	Melbne	F	19	66
Berlin	S	1	34	Mx. C.†	—	—	—
Biarritz	R	10	50	Miami†	C	14	57
Bmghm.	C	6	43	Milan	S	4	39
Blackpl	C	5	41	Montrl †	—	—	—
Bordx.	R	11	52	Moscow	C	−2	28
Boulgn.	C	7	45	Munich	Sl	2	36
Bristol	C	8	46	Nairobi	C	22	72
Brussels	F	4	39	Naples	C	13	55
Budpst.	Sl	1	34	Nassau	—	—	—
Cairo	S	21	70	Nwcstl	F	2	36
Card.†	C	8	46	N. York†	F	3	37
Cas'lnca	C	18	64	Nice	S	14	57
Cape T	—	—	—	Nicosia	C	18	64
Chicago†	C	5	41	Oporto	C	12	54
Cologne	R	4	39	Oslo	S	−12	9
Cpnhgn	F	0	32	Paris	R	6	43
Corfu	C	16	61	Perth	S	25	73
Denver†	F	7	45	Prague	C	2	36
Dublin	R	7	45	Rykjvk.	Sn	−7	19
Dbrvnk.	R	11	52	Rhodes	S	17	63
Ednbgh.	C	1	34	Rio J'o†	—	—	—
Faro	F	17	63	Rome	C	1	34
Florence	C	10	50	S. F'cisco†	—	—	—
Frankft	F	4	39	S. Mritz	—	—	—
Funchal	C	18	64	Singpr.	—	—	—
Geneva	F	3	37	S'tiago†	—	—	—
Gibraltar	F	16	61	Stckhm	Sn	−4	25
Glasgow	S	2	36	Strasbg.	F	4	39
G'rnsey	C	9	48	Sydney	C	31	88
Helsinki	C	−5	23	Tangier	F	17	63
H. Kong	S	19	66	Tel Aviv	S	19	66
Innsbrk	F	1	34	Tenerife	C	20	68
Invrnss	F	0	32	Tokyo	S	10	50
I.o.Man	R	5	41	T'r'nto†	—	—	—
Istanbul	S	12	54	Tunis	S	17	63
Jersey	C	10	50	Valencia	S	15	59
Jo'burg	—	—	—	Venice	C	4	39
L. Pims	F	21	70	Vienna	F	4	39
Lisbon	C	14	57	Warsaw	C	1	34
Locarno	S	3	37	Zurich	C	3	37
London	C	7	45				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. R—Rain.
† Noon GMT temperatures.

THE LEX COLUMN

Cueing up for Harrods' sale

Index rose 4.2 to 533.5

The Monopolies Commission's verdict on Lonrho's bid for the House of Fraser is due to be published tomorrow — and the City has more or less convinced itself that the takeover will not be allowed to proceed. Fraser's shares have dropped from 180p to 155p in the past week, and are now not all that far above where they might stand on trading considerations alone.

Analysts' estimates for the year ending next month range around the £34m pre-tax which Fraser reported for 1980-81. Without a bid, the shares might settle down in the region of 130p to 140p, where the fully taxed p/e would be roughly 12½ and the likely yield around 7½ per cent. That kind of rating would look broadly acceptable relative to Debenhams and UDS, allowing for the fact that Fraser's management is committed to improving the return on net assets which are now in the books at more than 305p per share.

However, the fall in Fraser's price will obviously be a big help to Lonrho if the market has guessed wrong. A couple of weeks ago, the view was that Lonrho would have to pay over 200p per share to win the day, compared with the 150p offered earlier this year. Now, by contrast, it could do a lot of damage with a dawn raid at a rather lower price, given that it already owns nearly 30 per cent of the shares outright. But Lonrho's capacity to surprise is almost without limit and that will be worth remembering whatever the Commission has decided.

Marathon

The odds are still against Mobil's gaining control of Marathon Oil, even after yesterday's cunning deal with Amerada Hess. Mobil has agreed to sell Amerada Marathon's downstream operations, if it wins the battle, which could be enough to clear its path of anti-trust obstacles. Amerada is sure to have obtained an attractive discount to net worth for the assets but Mobil will not be too sorry to lose them. Its target is the Marathon oil and gas reserves.

To pip U.S. Steel to the post, Mobil will need to increase its offer substantially. There is virtually nothing to separate the two bids in cash terms at present and the arbitrageurs are leaning heavily towards U.S. Steel, which seems to have a clearer run in the courts.

U.S. Steel has already been tendered enough shares to gain control of Marathon and, if it clears the only remaining legal hurdle, it could snap them up early next week. Mobil can extend the waiting period by 10 days if it comes up with a brand-new offer—not just an amendment to the existing one. With the anti-trust issues still unresolved, Mobil needs to play for time and will presumably wait until the last minute before showing its hand.

FAS 52

So FAS 52 is at last to replace the notorious U.S. currency translation standard FAS 8 and the British accountants will now be able to go ahead with the launching of a similar UK standard next spring. Almost all multinational companies will welcome this. But the 4-3 vote of the members of the Financial Accounting Standards Board emphasises the divisions which continue to exist within the U.S. accounting profession.

Nine pages of dissent by the minority trio emphasise the attachment of many U.S. accountants to rigid historical cost concepts, and to a dollar perspective. Only with reluctance have the Americans gone over to a "functional currency" concept whereby a subsidiary's profits can be calculated in its local currency and then translated into dollars. In this way balance sheet adjustments can be prevented from cluttering up the profit and loss account.

The continued attachment to historical costs, however, has landed the American accountants with a dilemma in hyperinflating currencies. Many U.S. companies have large operations in South America where the historical cost of most of their assets is effectively just about nil. The UK solution, reasonably enough, is to allow revaluations in local currencies before translation into the parent group's reporting currency. Since this is not permissible for the Americans, they have to ordain arbitrarily that any currency which inflates by more than 100 per cent in three years is not stable enough to be a functional currency, and reporting must still be in dollars. On this basis sterling, with 50 per cent inflation in three years, is still OK.

John Brown

After last week's traumas, John Brown's shareholders will be scrutinising the company's circular on its $44m acquisition of the U.S. machine tool company Olofsson with more than usual care. Olofsson's earnings have risen at a compound rate of more than 50 per cent over the last four years, which—combined with a "healthy" order book—makes the take-out multiple of less than nine times earnings on a FIFO basis look very reasonable.

Even after an $11m write-up of Olofssen's fixed assets and stocks, though, there is some $19m of goodwill in the purchase, which Brown will charge against reserves. Net tangible assets of the John Brown group, at £122m, support an early November debt total of £100m, offset by £50m of cash (including the rights issue proceeds). Without its controversial rights issue, Brown's net debt would now be more than 75 per cent of shareholders' funds.

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V G H